

LEG. FINANCE - BILLS 1977 - 1978 960

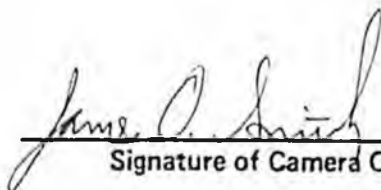
SB 427 thru SB 429

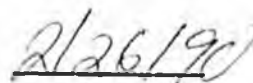


# RECORDS CERTIFICATION



I, the undersigned, an employee of the State of Alaska, do hereby certify that the microfilm images on this microform are accurate reproductions of the original records of the State of Alaska as accumulated during the regular course of business, and that it is the established policy and practice of this State to microfilm its records and to dispose of the original records after microfilm reproductions have been made.

  
\_\_\_\_\_  
Signature of Camera Operator

  
\_\_\_\_\_  
Date

**COMMITTEE REPORT**  
**SENATE**

FURTHER: \_\_\_\_\_  
\_\_\_\_\_

Date: \_\_\_\_\_

Mr. President:

The Committee on \_\_\_\_\_ has had \_\_\_\_\_

under consideration and (a majority of the committee) (the committee reports it back as follows)

- recommends it do pass                       recommends it do not pass
- recommends it do pass with attached amendment(s)
- recommends it be replaced with CS for \_\_\_\_\_  
and \_\_\_\_\_  new title               same title
- AND attaches a Letter of Intent               New Fiscal Note
- reports it back without recommendation
- and recommends it be referred to the \_\_\_\_\_ Committee

MEMBERS SIGNING DO PASS:

OTHER RECOMMENDATIONS:

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\_\_\_\_\_  
Chairman

SENATE JOURNAL

SENATE FINANCE COMMITTEE

Letter of Intent  
for Senate Bill 427

The Department of Revenue shall take reasonable steps to inform Alaskan taxpayers of the change in the law as evidenced by this bill, including written notice to businesses and professions which customarily assist in the preparation of tax returns. It is the intent of the Legislature that as few citizens as possible be required to pay the amounts which will later be refunded.

The accompanying fiscal notes cover the added administrative and advertising media costs of adopting this change in the tax code and of carrying out this letter of intent.

\$83.7 Funding in SB 118

THE LEGISLATURE OF THE STATE OF ALASKA  
TENTH LEGISLATURE

FISCAL NOTE

I. REQUEST

Bill/Resolution No. House Bill #662 SB 427  
 Title An Act relating to an income tax refund for the 1977 tax year and making  
Requests by misc. amendments to the income tax statute 1/26/78  
 Requested by: House Finance Committee

II. FISCAL DETAIL

Agency Affected Revenue  
 Program Category Affected Fiscal Services  
 Budget Request Unit(s) Affected Audit Division

EXPENDITURES (Thousands of Dollars)

	<del>FY 78</del>	<del>FY 78</del>	<del>FY 79</del>	<del>FY 80</del>	<del>FY 81</del>	<del>FY 82</del>
100 PERSONAL SERVICES	32.4					
200 TRAVEL	3.0					
300 CONTRACTUAL	6.0					
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
<b>TOTAL</b>	<b>41.4</b>					

FUNDING (Thousands of Dollars)

GENERAL FUND	41.4					
FEDERAL FUNDS						
OTHER (Specify)						

POSITIONS

FULL TIME						
PART TIME						
TEMPORARY	6					

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

Five temporary positions are requested to provide additional taxpayer assistance at our offices in Anchorage, Fairbanks, Seattle, and Juneau for four months. One temporary position is requested for the Error Correction Unit in Juneau to handle the increased errors which will occur as taxpayers attempt to take the Standard Deduction.

The travel monies are requested so that we can provide additional taxpayer assistance in cities where we do not have an office.

The contractual monies are requested to cover the additional long distance expense and postage to notify all practitioners of the proper method to adjust a return to take the Standard Deduction.

IV. DATE 1/26/78

PREPARED BY

AGENCY

PHONE

AUDIT DIVISION

465-7320

Original: Legislative Finance

cc: Budget and Management

Prime Sponsor (First Legislator Named)

THE LEGISLATURE OF THE STATE OF ALASKA  
TENTH LEGISLATURE

FISCAL NOTE

I. REQUEST  
 Bill/Resolution No. House Bill No. 662  
 Title An act relating to an income tax refund for the 1977 tax year and making miscellaneous amendments to the income tax statutes.  
 Requested by House Finance Committee Date \_\_\_\_\_

II. FISCAL DETAIL  
 Agency Affected Revenue  
 Program Category Affected General Government  
 Budget Request Unit(s) Affected Administrative Services

EXPENDITURES (Thousands of Dollars)

	FY 78	FY 79	FY 80	FY 81	FY 82	FY 83
100 PERSONAL SERVICES	37.6					
200 TRAVEL						
300 CONTRACTUAL	4.5					
400 COMMODITIES	.2					
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
TOTAL	42.3					

FUNDING (Thousands of Dollars)

GENERAL FUND	42.3					
FEDERAL FUNDS						
OTHER (Specify)						

POSITIONS

FULL TIME						
PART TIME						
TEMPORARY	6/26					

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

Personal Services

3 Scan Temporary Positions plus benefits and 2 Tax Examiner Positions plus benefits to review returns to identify standard deduction status and to handle the additional work load as multiple handling of documents will be required. 1 month of Tax Analyst time is required for revising the computer programs process the change.

Contractual

Media coverage instructing the taxpayers how to file returns to include the provision authorized by the legislation. Some public service is anticipated. Additional exposure will be purchased on radio, T.V. and in newspapers.

IV. DATE January 26, 1978 PREPARED BY Philip A. Wall  
 AGENCY Revenue  
 PHONE 465-2313  
 Original: Legislative Finance  
 cc: Budget and Management  
 Prime Sponsor (First Legislator Named)

The Health, Education and Social Services Committee has had HOUSE BILL NO. 608 (supplemental appropriations to the Department of Education, pupil transportation and student loan computer; effective date) under consideration and four of the members recommend it do pass. Concurring: Chatterton, Buchholdt, Phillips and Cotten. Not concurring: Parr (Chairman) has no recommendation.

HB  
608

HB 608 was referred to the Finance Committee.

A revised fiscal note on HB 608 appears in House Supplement #5.

The Finance Committee has had HOUSE BILL NO. 662 (income tax refund for the 1977 tax year and making miscellaneous amendments to the income tax statutes; effective date) under consideration and a majority of the committee recommends it do pass. Concurring: Cowper (Chairman), Freeman, Rhode, Haugen, Guy, Meekins, Buchholdt, Duncan and Gruening.

HB  
662

HB 662 was referred to the Rules Committee for placement on the calendar.

Two additional fiscal notes on HB 662 appear in House Supplement No. 5.

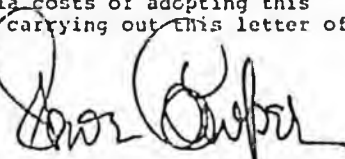
The Finance Committee Chairman's letter of intent on HB 662 appears as follows:

## HOUSE FINANCE COMMITTEE

LETTER OF INTENT  
Accompanying HOUSE BILL NO. 662

The Department of Revenue shall take reasonable steps to inform Alaskan taxpayers of the change in the law as evidenced by this bill, including written notice to businesses and professions which customarily assist the preparation of tax returns. It is the intent of the Legislature that as few citizens as possible be required to pay the amounts which will later be refunded.

The accompanying fiscal notes cover the added administrative and advertising media costs of adopting this change in the tax code and of carrying out this letter of intent.



Steve Cowper, Chairman  
House Finance Committee

SB 427

SENATE  
JOURNAL SUPPLEMENT

February 3, 1978

Friday

No. 6

SB  
427

FISCAL NOTE

I. REQUEST SENATE BILL NO. 427  
Bill/Resolution No. \_\_\_\_\_  
Title: Act relating to an income tax refund for the 1977 tax year and making  
certain other amendments to the income tax statute. 1/26/78  
Requested by: House Finance Committee

II. FISCAL DETAIL  
Agency Affected Revenue  
Program Category Affected Fiscal Services  
Budget Request Unit(s) Affected Audit Division

EXHIBITURES (Thousands of Dollars)

	FY 78	FY 79	FY 80	FY 81	FY 82
100 PERSONAL SERVICES	37.4				
200 TRAVEL	3.0				
300 CONTRACTUAL	6.0				
400 COMMODITIES					
500 EQUIPMENT					
600 LAND & STRUCTURES					
700 GRANTS, CLAUSES, ETC.					
<b>TOTAL</b>	<b>41.4</b>				

FUNDING (Thousands of Dollars)

GENERAL FUND	41.4				
FEDERAL FUNDS					
OTHER (Specify)					

POSITIONS

FULL TIME					
PART TIME					
TEMPORARY	6				

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)  
Five temporary positions are requested to provide additional taxpayer assistance at our offices in Anchorage, Fairbanks, Seattle, and Juneau for four months. One temporary position is requested for the Error Correction Unit in Juneau to handle the increased errors which will occur as taxpayers attempt to take the Standard Deduction.

The travel monies are requested so that we can provide additional taxpayer assistance in cities where we do not have an office.

The contractual monies are requested to cover the additional long distance expense and postage to notify all practitioners of the proper method to adjust a return to take the Standard Deduction.

IV. DATE 3/26/78

PREPARED BY Alan Jenkins  
AGENCY AUDIT DIVISION  
PHONE 465-1120

SB  
427

FISCAL NOTE

I. REQUEST SENATE BILL NO. 427  
 Bill/Resolution No. \_\_\_\_\_  
Title: Act relating to an income tax refund for the 1977 tax year and related  
amendments to the income tax statute, 1/26/78  
 Requested by: House Finance Committee

II. FISCAL DETAIL  
 Agency Affected: Revenue  
 Program Category Affected: Fiscal Services  
 Budget Request Unit(s) Affected: Audit Division

EXPENDITURES (Thousands of Dollars)

	FY 77	FY 78	FY 79	FY 80	FY 81	FY 82
100 PERSONAL SERVICES	32.4					
200 TRAVEL	3.0					
300 CONTRACTUAL	6.0					
400 COMMODITIES						
500 EQUIPMENT						
600 LAND, STRUCTURES						
700 GRANTS, GIFTS, ETC.						
<b>TOTAL</b>	<b>41.4</b>					

FUNDING (Thousands of Dollars)

	FY 77	FY 78	FY 79	FY 80	FY 81	FY 82
GENERAL FUND	41.4					
FEDERAL FUNDS						
OTHER (Specify)						

POSITIONS

	FY 77	FY 78	FY 79	FY 80	FY 81	FY 82
FULL TIME						
PART TIME						
TEMPORARY						

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

Five temporary positions are requested to provide additional taxpayer assistance at our offices in Anchorage, Fairbanks, Seattle, and Juneau for four months. One temporary position is requested for the Error Correction Unit in Juneau to handle the increased errors which will occur as taxpayers attempt to take the Standard Deduction.

The travel monies are requested so that we can provide additional taxpayer assistance in cities where we do not have an office.

The contractual monies are requested to cover the additional long distance expense and postage to notify all practitioners of the proper method to adjust a return to take the Standard Deduction.

IV. DATE: 1/26/78 PREPARED BY: [Signature]  
 AGENCY: AUDIT DIVISION  
 PHONE: 465-1120

HCS  
SB  
327  
am  
H

Yeas: 15

Bradley, Butrovich, Colletta,  
Croft, Ferguson, Hackney, Huber,  
Kerttula, Meland, Orsini, Rader,  
Ray, Rodey, Willis, Ziegler

Nays: 0

Excused: 5

Hohman, Poland, Sackett, Sumner,  
Tillion

and so, the Senate concurred in the House amendment thus adopting, HOUSE COMMITTEE SUBSTITUTE FOR SENATE BILL NO. 327 amended House.

HOUSE COMMITTEE SUBSTITUTE FOR SENATE BILL NO. 327 amended House was referred to the Secretary for enrollment.

#### STANDING COMMITTEE REPORTS

SB  
427

The Finance Committee has had SENATE BILL NO. 427 (income tax refund for 1977 tax year and making miscellaneous amendments to income tax statutes) under consideration and a majority of the committee recommends it do pass with a Finance Committee Letter of Intent and a new Fiscal Note. The report was signed as follows: Senator Sackett, Chairman, signed "no recommendation" and Senators Hohman, Croft, Meland, Orsini and Butrovich signed "do pass".

SENATE BILL NO. 427 was referred to the Rules Committee.

The Finance Committee Letter of Intent accompanying SENATE BILL NO. 427 appears as follows:

#### SENATE FINANCE COMMITTEE

##### Letter of Intent for Senate Bill 427

The Department of Revenue shall take reasonable steps to inform Alaskan taxpayers of the change in the law as evidenced by this bill, including written notice to businesses and professions which customarily assist in the preparation of tax returns. It is the intent of the Legislature that as few citizens as possible be required to pay the amounts which will later be refunded.

The accompanying fiscal note: cover the added administrative and advertising media costs of adopting this change in the tax code and of carrying out this letter of intent.

MESSAGES FROM THE HOUSE

Message of February 2 was read stating the House has passed the following and returning same:

SENATE CONCURRENT RESOLUTION NO. 66 (Relating to Alaskan participation in the Western States Legislative Forestry Task Force)	SCR 68
---	-----------

SENATE JOINT RESOLUTION NO. 36 (Relating to land allocation in the Tongass National Forest)	SJR 36
---	-----------

The above resolutions were referred to the Secretary for enrollment.

Message of February 2 was read stating the House has passed the following and transmitting same for consideration:

FIRST READING AND REFERENCE OF HOUSE BILLS

HOUSE BILL NO. 611 by the Rules Committee by request of the Governor, entitled:	HB 611
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"An Act making a supplemental appropriation to the Office of the Governor, Telecommunications, and providing for an effective date."

was read the first time and referred to the Finance Committee.

Message of January 30 concerning SENATE BILL NO. 327 amended (satisfaction of judgments and liens) and HOUSE COMMITTEE SUBSTITUTE FOR SENATE BILL NO. 327 amended House which had been held from January 30 (pages 152 and 173 of the journal) was before the Senate at this time for consideration.	HCS S5 327 and H
--	------------------------------

Senator Colletta moved that the Senate concur in the House amendment to SENATE BILL NO. 327 amended.

The question being: "Shall the Senate concur in the House amendment to SENATE BILL NO. 327 amended (satisfaction of judgments and liens)?" The roll was taken with the following result:

FRANK SENS SMITH BAXTER

Certified Public Accountant

(907) 789 2191

Suite 102, Carmag Building  
9099 Glacier Highway

February 1, 1978

P.O. Box 2767  
Juneau, Alaska 99803

Honorable John C. Sackett  
Chairman  
Senate Finance Committee  
Alaska State Senate  
Juneau, Alaska 99811

Dear Senator Sackett:


Subject: SB 427 regarding Alaska Income Tax

When I asked to be notified of the time regarding the Senate Finance Committee hearing on the subject bill, I was told it was third on the agenda, Thursday, February 2, but a specific time could not be set. Please accept this as my testimony.

In House Finance Committee hearings, I held the opinion that the suggested procedure to be used by the Department of Revenue, that is, refunding from a return automatically, created undue hardship on Alaskan taxpayers. In many cases, the taxpayer would have to actually pay prior to being included in the system. Some can ill afford to do so.

The use of the enclosed form, or one similar, would allow taxpayers to file correctly--the first time. I hope this suggested procedure will be utilized by the Department, rather than their original proposal.

Sincerely,

  
FRANK SENS SMITH BAXTER  
Certified Public Accountant

Enclosure

FSB/h

In view of the recently passed legislation, please include this form with your 1977 Alaska income tax return.

Taxable Income (Line 14) 14 \_\_\_\_\_

If you checked Form 1040,

Box 2 or 5, enter \$3,200;

Box 1 or 4, enter \$2,200;

Box 3, enter \$1,600.

14a \_\_\_\_\_

Revised Alaska Taxable Income  
(Subtract 14a from 14.)

14b \_\_\_\_\_

NOW, go to tax tables to figure your tax and continue to use your original forms.

COMMITTEE REPORT  
SENATE

2/7/78

FURTHER: \_\_\_\_\_  
\_\_\_\_\_

Date: \_\_\_\_\_

Mr. President:

The Committee on FINANCE \_\_\_\_\_ has had SB 427  
income tax refund for the 1977 tax year and making miscellaneous  
amendments to the income tax statutes  
under consideration and (a majority of the committee) (the committee  
reports it back as follows)

- recommends it do pass                       recommends it do not pass
- recommends it do pass with attached amendment(s)
- recommends it be replaced with CS for \_\_\_\_\_  
and \_\_\_\_\_  new title       same title
- AND attaches a Letter of Intent               New Fiscal Note
- reports it back without recommendation
- and recommends it be referred to the \_\_\_\_\_ Committee

MEMBERS SIGNING DO PASS:  
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OTHER RECOMMENDATIONS:  
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\_\_\_\_\_  
Chairman

COMMITTEE REPORT  
SENATE

1/19/78

FURTHER: None

Date: February 2, 1978

Mr. President:

The Committee on FINANCE has had SB 427

income tax refund for 1977 tax year & making miscellaneous amendments to income tax statutes

under consideration and (a majority of the committee) (the committee reports it back as follows)

- recommends it do pass                      ( ) recommends it do not pass
- ( ) recommends it do pass with attached amendment(s)
- ( ) recommends it be replaced with CS for \_\_\_\_\_

and \_\_\_\_\_ ( ) new title      ( ) same title

- AND attaches a Letter of Intent                       New Fiscal Note
- ( ) reports it back without recommendation
- ( ) and recommends it be referred to the \_\_\_\_\_ Committee

MEMBERS SIGNING DO PASS:

OTHER RECOMMENDATIONS:

✓ George H. Johnson

✓ Thomas D. H.

✓ Tom McDaniel

✓ Ornani

✓ John Buttrick

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John Dickett  
Chairman  
1770 Ave.

COMMITTEE REPORT  
SENATE

2/3/78

FURTHER: \_\_\_\_\_

Date: February 6, 1978

Mr. President:

The Committee on RULES has had SB 427  
income tax refund for 1977 tax year & making miscellaneous amendments to income  
tax statutes

under consideration and (a majority of the committee) ~~(the committee~~

~~reports it back as follows)~~ Recommends it be placed on the calendar (Tues. 1-7-'78)

( ) recommends it do pass ( ) recommends it do not pass

( ) recommends it do pass with attached amendment(s)

( ) recommends it be replaced with CS for \_\_\_\_\_

and \_\_\_\_\_ ( ) new title ( ) same title

( ) AND attaches a Letter of Intent ( ) New Fiscal Note

( ) reports it back without recommendation

( ) and recommends it be referred to the \_\_\_\_\_ Committee

MEMBERS SIGNING DO PASS:

OTHER RECOMMENDATIONS:

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3/1/78  
Chairman

427

Introduced: 1/19/78  
Referred: Finance

1 IN THE SENATE

BY THE RULES COMMITTEE BY  
REQUEST OF THE GOVERNOR

2 SENATE BILL NO. 427

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TENTH LEGISLATURE -- SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to an income tax refund for the 1977  
7 tax year and making miscellaneous amendments to the  
8 income tax statutes; and providing for an effective  
9 date."

10 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

11 \* Section 1. AS 43.20.031(a) is amended by adding a new paragraph to  
12 read:

13 (4) each taxpayer shall be allowed a minimum deduction  
14 equivalent in amount to the "zero bracket amount" defined in sec.  
15 63(d) of the Internal Revenue Code.

16 \* Sec. 2. AS 43.20.035(a) is amended to read:

17 (a) The taxable income of nonresidents or part-year residents of  
18 this state is taxable income as determined under sec. 31 of this  
19 chapter when attributable to sources in the state as provided in sec.  
20 40 of this chapter with the following modifications [ADJUSTMENTS]:

21 (1) a nonresident or part-year resident who has no excess  
22 Alaska itemized deductions as defined in (4) of this subsection is  
23 allowed the minimum deduction provided by sec. 31(a)(4) of this chapter  
24 in the proportion provided in (b) of this section [CLAIMS THE STANDARD  
25 DEDUCTION AS DEFINED IN INTERNAL REVENUE CODE SEC. 141 IS ALLOWED THE  
26 DEDUCTION IN THE PROPORTION PROVIDED IN (b) OF THIS SECTION];

27 (2) a nonresident or part-year resident is allowed a deduc-  
28 tion equal to the personal exemption deduction as defined in sec. 151  
29 of the Internal Revenue Code in the proportion provided in (b) of this

COMMITTEE COPY

FY 200 SB 427

1 section [ENTITLED TO CLAIM THE PERSONAL EXEMPTIONS AS DEFINED IN SEC.  
2 151 OF THE INTERNAL REVENUE CODE IN THE PROPORTION PROVIDED IN (b) OF  
3 THIS SECTION];

4 (3) a nonresident or part-year resident who has excess  
5 Alaska itemized deductions is allowed his entire Alaska itemized  
6 deductions [ITEMIZES DEDUCTIONS IS ALLOWED A DEDUCTION FOR THOSE ITEMS  
7 DEDUCTIBLE UNDER THE INTERNAL REVENUE CODE WHICH ARISE FROM SOURCES IN  
8 THE STATE];

9 (4) "Alaska itemized deductions" as used in this section  
10 are those itemized deductions allowed under the Internal Revenue Code  
11 which arise from sources in the state except those items described in  
12 sec. 31(c) of this chapter; "excess Alaska itemized deductions" means  
13 the excess (if any) of:

14 (A) Alaska itemized deductions, over

15 (B) the minimum deduction as defined in sec. 31(a)(4)

16 of this chapter.

17 \* Sec. 3. (a) Instead of allowing the taxpayer to claim the minimum  
18 deduction allowed under AS 43.20.031(a)(4) for 1977, the Department of  
19 Revenue shall refund the overpayment of taxes paid by individual taxpayers  
20 under AS 43.20 for the 1977 tax year as a result of the 1977 amendments to  
21 sec. 63 of the 1954 Internal Revenue Code, 26 U.S.C. sec. 63, made by sec.  
22 102(a) of P. L. 95-30 which repealed the standard deduction and replaced it  
23 with the minimum deduction at the federal level. The refund shall be  
24 determined without regard to provisions under AS 43.20 for income averaging,  
25 alternative tax on capital gains, maximum tax on earned income, minimum tax  
26 on tax preferences, or allowable credits claimed on the original return.  
27 The amount of the refund shall be calculated by subtracting the tax as  
28 computed under the appropriate tax rates, as provided under (1), (2), or  
29 (3) of this subsection, on the Alaska taxable income (allowing a deduction

1 in the amount of the appropriate "zero bracket amount" as defined under  
2 sec. 63 of the Internal Revenue Code) from the amount of tax which would  
3 have been imposed under AS 43.20 on taxable income if the amendments con-  
4 tained in this Act were not in effect for the 1977 tax year. In calculating  
5 the amount of the refund, the following tax rates shall be used:

6 (1) refunds for single taxpayers and married taxpayers fil-  
7 ing separate returns not qualifying for rates in AS 43.20.011(b) or (c)  
8 shall be calculated as if the taxpayer used the rate in AS 43.20.011(a) on  
9 his original filing;

10 (2) refunds for married taxpayers, filing joint returns,  
11 and certain widows and widowers who qualify under the provisions of AS  
12 43.20.011(b) shall be calculated as if the taxpayer used the rates in that  
13 subsection on his original filing;

14 (3) refunds for unmarried (or legally separated) taxpayers  
15 who qualify as heads of household under the provisions of AS 43.20.011(c)  
16 shall be calculated as if the taxpayer used the rates in that subsection on  
17 his original return.

18 (b) Notwithstanding (a) of this section, in the case of non-  
19 resident or part-year individuals who do not have excess itemized deduc-  
20 tions the amount of the refund shall be based upon the appropriate "zero  
21 bracket amount" as defined under sec. 63 of the Internal Revenue Code  
22 prorated as provided by AS 43.20.035(b).

23 (c) This refund applies to every individual taxpayer filing a  
24 return under AS 43.20 for a tax year beginning in the calendar year of  
25 1977. In no case may the refund exceed the tax based on AS 43.20.011 less  
26 credits allowable under AS 43.20 as finally determined by the department.

27 (d) If the amount of the refund is redetermined by action of the  
28 taxpayer or the department, any deficiency shall be assessed and collected  
29 in the same manner as the original tax.

1 (e) Interest shall be allowed and paid on any refund made under  
2 this section as provided for in AS 43.05.280.

3 \* Sec. 4. The refund provided for in sec. 3 of this Act is the sole  
4 means of using the minimum deduction established in AS 43.20.031(a)(4)  
5 (under secs. 1 and 2 of this Act) for income tax returns covering tax years  
6 beginning on or after January 1, 1977 but before January 1, 1978.

7 \* Sec. 5. Sections 1 and 2 of this Act are retroactive to January 1,  
8 1977.

9 \* Sec. 6. This Act takes effect immediately in accordance with AS 01.-  
10 10.070(c).

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DB 427

SENATE JOURNAL

SENATE FINANCE COMMITTEE

Letter of Intent  
for Senate Bill 427

The Department of Revenue shall take reasonable steps to inform Alaskan taxpayers of the change in the law as evidenced by this bill, including written notice to businesses and professions which customarily assist in the preparation of tax returns. It is the intent of the Legislature that as few citizens as possible be required to pay the amounts which will later be refunded.

The accompanying fiscal notes cover the added administrative and advertising media costs of adopting this change in the tax code and of carrying out this letter of intent.

THE LEGISLATURE OF THE STATE OF ALASKA  
TENTH LEGISLATURE

FISCAL NOTE

I. REQUEST SENATE BILL NO. 427  
 Bill/Resolution No. \_\_\_\_\_  
 Title an Act relating to an income tax refund for the 1977 tax year and making  
amendments to the income tax statute Date 1/26/78  
 Requested by: House Finance Committee

II. FISCAL DETAIL  
 Agency Affected Revenue  
 Program Category Affected Fiscal Services  
 Budget Request Unit(s) Affected Audit Division

EXPENDITURES (Thousands of Dollars)

	FY 77	FY 78	FY 79	FY 80	FY 81	FY 82
100 PERSONAL SERVICES	32.4					
200 TRAVEL	3.0					
300 CONTRACTUAL	6.0					
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
<b>TOTAL</b>	<b>41.4</b>					

FUNDING (Thousands of Dollars)

GENERAL FUND	41.4					
FEDERAL FUNDS						
OTHER (Specify)						

POSITIONS

FULL TIME						
PART TIME						
TEMPORARY	6					

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

Five temporary positions are requested to provide additional taxpayer assistance at our offices in Anchorage, Fairbanks, Seattle, and Juneau for four months. One temporary position is requested for the Error Correction Unit in Juneau to handle the increased errors which will occur as taxpayers attempt to take the Standard Deduction.

The travel monies are requested so that we can provide additional taxpayer assistance in cities where we do not have an office.

The contractual monies are requested to cover the additional long distance expense and postage to notify all practitioners of the proper method to adjust a return to take the Standard Deduction.

IV. DATE 1/26/78 PREPARED BY *Lawrence*  
 AGENCY AUDIT DIVISION  
 PHONE 465-7320  
 Original: Legislative Finance  
 cc. Budget and Management  
 Prime Sponsor (First Legislator Named)

THE LEGISLATURE OF THE STATE OF ALASKA  
TENTH LEGISLATURE

FISCAL NOTE

I. REQUEST

Bill/Resolution No. SENATE BILL NO. 427  
 Title An act relating to an income tax refund for the 1977 tax year and  
~~making miscellaneous amendments to the income tax statutes.~~  
 Requested by House Finance Committee Date \_\_\_\_\_

II. FISCAL DETAIL

Agency Affected Revenue  
 Program Category Affected General Government  
 Budget Request Unit(s) Affected Administrative Services

EXPENDITURES (Thousands of Dollars)

	FY 78	FY 79	FY 80	FY 81	FY 82	FY 83
100 PERSONAL SERVICES	37.6					
200 TRAVEL						
300 CONTRACTUAL	4.5					
400 COMMODITIES	.2					
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
<b>TOTAL</b>	<b>42.3</b>					

FUNDING (Thousands of Dollars)

GENERAL FUND	42.3					
FEDERAL FUNDS						
OTHER (Specify)						

POSITIONS

FULL TIME						
PART TIME						
TEMPORARY	6/26	mm				

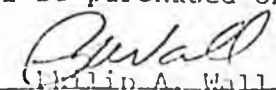
III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

Personal Services

3 Scan Temporary Positions plus benefits and 2 Tax Examiner Positions plus benefits to review returns, to identify standard deduction status and to handle the additional workload as multiple handling of documents will be required. 1 month of System Analyst time is required for revising the computer programs to process the change.

Contractual

Media coverage instructing the taxpayers how to file returns to include the provision authorized by the legislation. Some public service is anticipated. Additional exposure will be purchased on radio, T.V. and in newspapers.

IV. DATE January 26, 1978 PREPARED BY  Phillip A. Wall  
 AGENCY Revenue  
 Original: Legislative Finance PHONE 465-2313  
 cc: Budget and Management  
 Prime Sponsor (First Legislator Named)

January 19, 1978

The Honorable John L. Rader  
President of the Senate  
Alaska State Legislature  
Juneau, Alaska 99811

Dear Mr. President:

Under the authority of art. III, sec. 18 of the Alaska Constitution, and in accordance with AS 24.30.060(b) and the Uniform Rules of the Alaska State Legislature, I am transmitting a bill to rectify a situation that has caused an unintentional increase in the individual income tax for Alaskan individual income taxpayers. The 1977 Tax Reduction and Simplification Act, Public Law 95-30, among other things, restructured the standard deduction and itemized deductions available to taxpayers. The Act eliminated the standard deduction and reduced itemized deductions by a similar amount (\$3,200 for a married couple). The federal tax rates were then adjusted to compensate for the loss of the deduction. The net effect, for federal tax purposes, was that there was no increase in taxes.

However, for Alaska purposes, the situation was different. Alaska income taxes are tied to the federal code to some extent. Alaska uses federal taxable income as a tax base. Therefore, the elimination of the standard deduction and the reduction of itemized deductions were automatically adopted by Alaska. However, since Alaska tax rates are set by statute and do not change automatically with federal changes, the compensating tax rate reduction did not take place. The effect, for Alaska purposes, was to increase Alaska taxable income for residents between \$1,600 and \$3,200.

The bill addresses the problem in two ways. First, in order to provide relief for the 1977 tax year, the bill amends the law retroactively to January 1, 1977, and

requires the Department of Revenue to refund automatically the excess tax. This will avoid the necessity of taxpayers having to file a claim for refund. Secondly, for the tax years 1978 and thereafter, a "minimum deduction" is being added to the Alaska statute that compensates for the loss in the standard deduction which occurred with the restructuring of the federal statute.

Sincerely,

S/SSH

Jay S. Hammond  
Governor

THE LEGISLATURE OF THE STATE OF ALASKA  
TENTH LEGISLATURE

FISCAL NOTE

I. REQUEST

Bill/Resolution No. SB 427  
Title Amendments to Income Tax - Standard Deduction Elimination  
Requested by Governor's Office Date 12/8/77

II. FISCAL DETAIL

Agency Affected Revenue and Administration  
Program Category Affected Fiscal Services  
Budget Request Unit(s) Affected Audit Division, Administrative Services Division,  
Division of Finance, Dep't. of Administration

EXPENDITURES (Thousands of Dollars)

	FY 77	FY 78	FY 79	FY 80	FY 81	FY 82
100 PERSONAL SERVICES		26.9				
200 TRAVEL						
300 CONTRACTUAL		22.8				
400 COMMODITIES		6.5				
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
TOTAL	-0-	56.2	-0-	-0-	-0-	-0-

FUNDING (Thousands of Dollars)

	FY 77	FY 78	FY 79	FY 80	FY 81	FY 82
GENERAL FUND	-0-	56.2	-0-	-0-	-0-	-0-
FEDERAL FUNDS						
OTHER (Specify)						

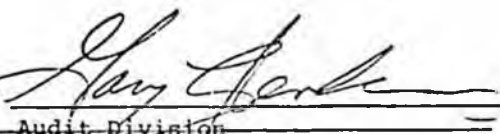
POSITIONS

	FY 77	FY 78	FY 79	FY 80	FY 81	FY 82
FULL TIME						
PART TIME						
TEMPORARY	-0-	5	-0-	-0-	-0-	-0-

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

The elimination of the standard deduction by Congress will cause a major impact in return processing and taxpayer assistance programs in the Department of Revenue. The additional positions are needed to handle the impact:

- 2 ea. - Tax Scanners for 5 mo. ea. - For additional data capture.
- 1 ea. - Tax Examiner for 5 mo. - To handle additional computational errors on returns.
- 1 ea. - Tax Examiner for 5 mo. - To handle large increase in taxpayer assistance in Anchorage.
- 1 ea. - Systems Analyst I for 1 mo. - To design and program the rebate program.

IV. DATE December 9, 1977 PREPARED BY   
AGENCY Audit Division  
Original: Legislative Finance PHONE 465-2420  
cc: Budget and Management  
Prime Sponsor (First Legislator Named)

ALASKA STATE LEGISLATURE

1978 Legislature SECOND Session

SENATE BILL NO. 427

By THE RULES COMMITTEE BY REQUEST OF THE GOVERNOR

"An Act relating to an income tax refund for the 1977 tax year and making miscellaneous amendments to the income tax statutes; and providing for an effective date."

1977 income tax refund for 1977 tax year

Introduced in the Senate ... 1/19/1978

HISTORY IN THE SENATE

19 78	Read first time and referred to Committee on Finance
1 19	
2 3	Reported back with recommendation that <i>Finance bill passed 10/26/78 with amendments to Finance Committee Rules</i>
2 6	<i>Refer Calendar</i>
2 7	Read second time and <i>Refer to Finance</i>
	<i>Income bill HB 662</i>
	<i>Have passed 3/6/78</i>
	Read third time and
	PASS Effective Date
	Yeas Yeas
	Nays Nays
	Absent Absent
	Excused Excused
	Reconsideration
	PASS Effective Date
	Yeas Yeas
	Nays Nays
	Absent Absent
	Excused Excused
	Reported correctly engrossed
	Signed by President
	Sent to House

SECRETARY OF THE SENATE

HISTORY IN THE HOUSE

19	Read first time and referred to Committee on
	Reported back with recommendation that
	Read second time and
	Read third time and
	PASS Effective Date
	Yeas Yeas
	Nays Nays
	Absent Absent
	Excused Excused
	Reconsideration
	PASS Effective Date
	Yeas Yeas
	Nays Nays
	Absent Absent
	Excused Excused
	Reported correctly engrossed
	Signed by Speaker
	Returned to Senate

CHIEF CLERK OF THE HOUSE

HISTORY IN THE SENATE

19	Received from House
	Reported correctly enrolled
	Sent to Governor
	..... By Governor
	Filed with Lt. Governor
	Chapter No. ....

*Returned to Committee 2/7/78  
Previously referred to Sen. Nelson*

Introduced: 1/19/78  
Referred: Finance

1 IN THE SENATE

BY THE RULES COMMITTEE BY  
REQUEST OF THE GOVERNOR

2 SENATE BILL NO. 427

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TENTH LEGISLATURE -- SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to an income tax refund for the 1977  
7 tax year and making miscellaneous amendments to the  
8 income tax statutes; and providing for an effective  
9 date."

10 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

11 \* Section 1. AS 43.20.031(a) is amended by adding a new paragraph to  
12 read:

13 (4) each taxpayer shall be allowed a minimum deduction  
14 equivalent in amount to the "zero bracket amount" defined in sec.  
15 63(d) of the Internal Revenue Code.

16 \* Sec. 2. AS 43.20.035(a) is amended to read:

17 (a) The taxable income of nonresidents or part-year residents of  
18 this state is taxable income as determined under sec. 31 of this  
19 chapter when attributable to sources in the state as provided in sec.  
20 40 of this chapter with the following modifications [ADJUSTMENTS]:

21 (1) a nonresident or part-year resident who has no excess  
22 Alaska itemized deductions as defined in (4) of this subsection is  
23 allowed the minimum deduction provided by sec. 31(a)(4) of this chapter  
24 in the proportion provided in (b) of this section [CLAIMS THE STANDARD  
25 DEDUCTION AS DEFINED IN INTERNAL REVENUE CODE SEC. 141 IS ALLOWED THE  
26 DEDUCTION IN THE PROPORTION PROVIDED IN (b) OF THIS SECTION];

27 (2) a nonresident or part-year resident is allowed a deduc-  
28 tion equal to the personal exemption deduction as defined in sec. 151  
29 of the Internal Revenue Code in the proportion provided in (b) of this

1 section [ENTITLED TO CLAIM THE PERSONAL EXEMPTIONS AS DEFINED IN SEC.  
2 151 OF THE INTERNAL REVENUE CODE IN THE PROPORTION PROVIDED IN (b) OF  
3 THIS SECTION];

4 (3) a nonresident or part-year resident who has excess  
5 Alaska itemized deductions is allowed his entire Alaska itemized  
6 deductions [ITEMIZES DEDUCTIONS IS ALLOWED A DEDUCTION FOR THOSE ITEMS  
7 DEDUCTIBLE UNDER THE INTERNAL REVENUE CODE WHICH ARISE FROM SOURCES IN  
8 THE STATE];

9 (4) "Alaska itemized deductions" as used in this section  
10 are those itemized deductions allowed under the Internal Revenue Code  
11 which arise from sources in the state except those items described in  
12 sec. 31(c) of this chapter; "excess Alaska itemized deductions" means  
13 the excess (if any) of:

14 (A) Alaska itemized deductions, over

15 (B) the minimum deduction as defined in sec. 31(a)(4)

16 of this chapter.

17 \* Sec. 3. (a) Instead of allowing the taxpayer to claim the minimum  
18 deduction allowed under AS 43.20.031(a)(4) for 1977, the Department of  
19 Revenue shall refund the overpayment of taxes paid by individual taxpayers  
20 under AS 43.20 for the 1977 tax year as a result of the 1977 amendments to  
21 sec. 63 of the 1954 Internal Revenue Code, 26 U.S.C. sec. 63, made by sec.  
22 102(a) of P. L. 95-30 which repealed the standard deduction and replaced it  
23 with the minimum deduction at the federal level. The refund shall be  
24 determined without regard to provisions under AS 43.20 for income averaging,  
25 alternative tax on capital gains, maximum tax on earned income, minimum tax  
26 on tax preferences, or allowable credits claimed on the original return.  
27 The amount of the refund shall be calculated by subtracting the tax as  
28 computed under the appropriate tax rates, as provided under (1), (2), or  
29 (3) of this subsection, on the Alaska taxable income (allowing a deduction

1 in the amount of the appropriate "zero bracket amount" as defined under  
2 sec. 63 of the Internal Revenue Code) from the amount of tax which would  
3 have been imposed under AS 43.20 on taxable income if the amendments con-  
4 tained in this Act were not in effect for the 1977 tax year. In calculating  
5 the amount of the refund, the following tax rates shall be used:

6 (1) refunds for single taxpayers and married taxpayers fil-  
7 ing separate returns not qualifying for rates in AS 43.20.011(b) or (c)  
8 shall be calculated as if the taxpayer used the rate in AS 43.20.011(a) on  
9 his original filing;

10 (2) refunds for married taxpayers, filing joint returns,  
11 and certain widows and widowers who qualify under the provisions of AS  
12 43.20.011(b) shall be calculated as if the taxpayer used the rates in that  
13 subsection on his original filing;

14 (3) refunds for unmarried (or legally separated) taxpayers  
15 who qualify as heads of household under the provisions of AS 43.20.011(c)  
16 shall be calculated as if the taxpayer used the rates in that subsection on  
17 his original return.

18 (b) Notwithstanding (a) of this section, in the case of non-  
19 resident or part-year individuals who do not have excess itemized deduc-  
20 tions the amount of the refund shall be based upon the appropriate "zero  
21 bracket amount" as defined under sec. 63 of the Internal Revenue Code  
22 prorated as provided by AS 43.20.035(b).

23 (c) This refund applies to every individual taxpayer filing a  
24 return under AS 43.20 for a tax year beginning in the calendar year of  
25 1977. In no case may the refund exceed the tax based on AS 43.20.011 less  
26 credits allowable under AS 43.20 as finally determined by the department.

27 (d) If the amount of the refund is redetermined by action of the  
28 taxpayer or the department, any deficiency shall be assessed and collected  
29 in the same manner as the original tax.

1 (e) Interest shall be allowed and paid on any refund made under  
2 this section as provided for in AS 43.05.280.

3 \* Sec. 4. The refund provided for in sec. 3 of this Act is the sole  
4 means of using the minimum deduction established in AS 43.20.031(a)(4)  
5 (under secs. 1 and 2 of this Act) for income tax returns covering tax years  
6 beginning on or after January 1, 1977 but before January 1, 1978.

7 \* Sec. 5. Sections 1 and 2 of this Act are retroactive to January 1,  
8 1977.

9 \* Sec. 6. This Act takes effect immediately in accordance with AS 01.-  
10 10.070(c).

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## STATE OF ALASKA

## DEPARTMENT OF REVENUE

OFFICE OF THE COMMISSIONER

POUCH 5 - JUNEAU 99811

January 16, 1978

Cathy 7 427  
JAY S. HAMMOND, GOVERNOR

The Honorable John Sackett  
Chairman, Senate Finance Committee  
Alaska State Legislature

The Honorable Steve Cowper  
Chairman, House Finance Committee  
Alaska State Legislature

Dear Senator Sackett and Representative Cowper:

I have included in this letter an itemization of changes in the federal income tax code which are not incorporated by reference into the Alaska income tax statutes (AS 43.20). I bring these items to your attention in order that the Legislature may make policy determinations on their inclusion or continued exclusion.

In Section 1, Chapter 125 SLA 1976, the income tax statute was amended to provide that newly enacted provisions of the Internal Revenue Code which change or modify exemptions from tax or credits against tax would not become incorporated by reference into Alaska law until the second January 1 following the effective date of the federal law. Thus the Alaska Legislature would have two years in which to decide whether changes or modifications in federal exemptions or credits should apply for Alaska purposes. In 1977 Congress made two changes in the tax credit area which were not incorporated into Alaska law.

1. Congress enacted the "New Jobs Credit" for years 1977 and 1978. Generally, employers are allowed a credit for wages paid to newly hired employees. The credit is 50 percent of the first \$4,200 of each new hire's wages, thus limiting the credit to \$2,100 for each new hire. The maximum total credit for any employer or taxpayer is \$100,000. This credit, effective January 1, 1977, will be adopted under AS 43.20.021 on January 1, 1979. However, the credit expires on December 31, 1978 by federal law; therefore, this credit will not become effective for Alaska unless specific legislative action is taken to enact this credit at an earlier date.

cc Solomon  
for his sub-comm.

2. Last year Alaska specifically adopted the federal credit for the elderly (IRC Section 37), effective January 1, 1976. Congress has made a change in this credit which allows a taxpayer the election of determining the amount of his credit under Section 37, for the tax year 1976, using the old retirement income credit. This change will not be effective for Alaska tax purposes until January 1, 1979 unless specific legislation is enacted to adopt it at an earlier date.

In addition to federal credits and exemptions which are not automatically incorporated by reference, federal changes in federal tax rates and federal tax tables are not incorporated by reference, since Alaska has adopted its own separate rate schedule.

Public Law 95-30, the 1977 Federal Tax Reduction and Simplification Act, changed both the definition of taxable income (IRC Section 63) and the federal tax rates. The net result was that the standard deduction was eliminated and itemized deductions were reduced by an equivalent amount. This amount, defined by IRC Section 63 as the "zero bracket amount" was then built into the federal tax rates. Thus, for federal tax purposes, there was no increase in taxes.

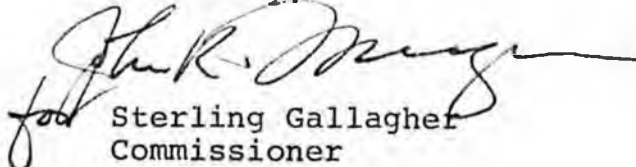
However, since by statute Alaska automatically adopts changes in deductions, the elimination of the standard deduction was automatically adopted, without the corresponding change in tax rates. The effect of this is that as the Alaska law stands on January 1, 1978, Alaskan taxpayers will be paying additional tax in an amount equal to the tax on the appropriate "zero bracket amount" at the tax rates applicable to that taxpayer's particular tax bracket.

The Department of Revenue is submitting legislation to accomplish two things:

1. To automatically refund the excess tax paid for the tax year 1977.
2. To create a "minimum deduction" equivalent in amount to the "zero bracket amount" as defined in IRS Section 63. This would compensate for the loss of the standard deduction and would make it possible to continue use of the Alaska tax rates as they now exist.

If you or your staff have any further questions about recent federal income tax changes, please let me know.

Sincerely,

  
Sterling Gallagher  
Commissioner

The Health, Education and Social Services Committee has had HOUSE BILL NO. 603 (supplemental appropriations to the Department of Education, pupil transportation and student loan computer; effective date) under consideration and four of the members recommend it do pass. Concurring: Chatterton, Buchholdt, Phillips and Cotten. Not concurring: Parr (Chairman) has no recommendation.

HB  
603

HB 603 was referred to the Finance Committee.

A revised fiscal note on HB 608 appears in House Supplement #5.

The Finance Committee has had HOUSE BILL NO. 662 (income tax refund for the 1977 tax year and making miscellaneous amendments to the income tax statutes; effective date) under consideration and a majority of the committee recommends it do pass. Concurring: Cowper (Chairman), Freeman, Rhode, Haugen, Guy, Meekins, Buchholdt, Duncan and Gruening.

HB  
662

HB 662 was referred to the Rules Committee for placement on the calendar.

Two additional fiscal notes on HB 662 appear in House Supplement No. 5.

The Finance Committee Chairman's letter of intent on HB 662 appears as follows:

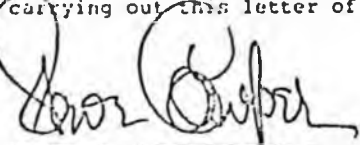
HOUSE FINANCE COMMITTEE

LETTER OF INTENT

Accompanying HOUSE BILL NO. 662

The Department of Revenue shall take reasonable steps to inform Alaskan taxpayers of the change in the law as evidenced by this bill, including written notice to businesses and professions which customarily assist in the preparation of tax returns. It is the intent of the Legislature that as few citizens as possible be required to pay the amounts which will later be refunded.

The accompanying fiscal notes cover the added administrative and advertising media costs of adopting this change in the tax code and of carrying out this letter of intent.



Steve Cowper, Chairman  
House Finance Committee




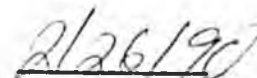


# RECORDS CERTIFICATION



I, the undersigned, an employee of the State of Alaska, do hereby certify that the microfilm images on this microform are accurate reproductions of the original records of the State of Alaska as accumulated during the regular course of business, and that it is the established policy and practice of this State to microfilm its records and to dispose of the original records after microfilm reproductions have been made.

  
\_\_\_\_\_  
Signature of Camera Operator

  
\_\_\_\_\_  
Date

Attachment A

Introduced: 1/19/78  
Referred: Finance

1 IN THE SENATE

BY THE SPECIAL COMMITTEE ON THE  
ALASKA PERMANENT FUND

2

SENATE BILL NO. 429

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

TENTH LEGISLATURE - SECOND SESSION

5

A BILL

6

For an Act entitled: "An Act relating to the Alaska loan programs fund, the  
7 Alaska permanent fund, the renewable resources develop-  
8 ment fund, and other state revenues; and providing for  
9 an effective date."

10

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

11

\* Section 1. AS 45 is amended by adding a new chapter to read:

12

CHAPTER 96. ALASKA LOAN PROGRAMS FUND.

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Sec. 45.96.010. PURPOSE. There exists within state government numerous loan funds serving specific, single purposes. Efficient use of the capital resources of the state will be promoted by creating a single loan fund which will provide a single source from which potential users could acquire a state loan and obtain information about existing federal or private loan programs which will better serve the needs of the user or which will complement a proposed state loan. A single state source of lending will provide strong assurance of repayment of its loans and thereby lower the cost of borrowing to the state. The purpose of the loan programs fund is to provide the lowest possible interest costs to Alaska borrowers consistent with sound financial practices and to make available to all sectors of the Alaska economy loans including long-term financing not presently available from existing Alaska financial institutions. A strong, single loan source, by being available to secure interest rates and terms better than those available to loan funds limited in size for a specific purpose, will make a significant contribution to lowering costs of living for Alaska residents and costs of

1 operations in the private and public sector.

2 Sec. 45.96.020. CREATION OF FUND. (a) There is created within  
3 the Department of Commerce and Economic Development the Alaska loan  
4 programs fund.

5 (b) There is established within the Department of Commerce and  
6 Economic Development the division of Alaska loan programs. The director  
7 of the division is in the classified service under AS 39.25 and shall  
8 receive an annual salary within range 27 of the salary schedule estab-  
9 lished in AS 39.27.011 or within one range below that received by the  
10 highest paid deputy commissioner in the Department of Commerce and  
11 Economic Development if that is higher than Range 27. In order to  
12 qualify for the position of director, a person must be graduated from  
13 college and have at least eight years of supervisory or administrative  
14 experience in loan management.

15 (c) The division of Alaska loan programs shall manage the loan  
16 programs fund in accordance with secs. 10 -490 of this chapter.

17 Sec. 45.96.030. REVENUE BONDING AUTHORITY. (a) The state bond  
18 committee may issue bonds and bond anticipation notes in order to pro-  
19 vide funds to carry out the fund's purposes.

20 (b) The principal and interest on these bonds or notes are payable  
21 from assets of the fund. Bond anticipation notes may be payable from  
22 the proceeds of the sale of bonds or from the proceeds of sale of other  
23 bond anticipation notes or, if bond or bond anticipation note proceeds  
24 are not available, the notes may be paid from other assets of the fund.  
25 Bonds or notes may be additionally secured by a pledge of a grant or  
26 contribution from the federal or state government, a corporation, asso-  
27 ciation, institution or person, or a pledge of money, income, or reve-  
28 nues of the fund from any source.

29 (c) Bonds or bond anticipation notes may be issued as provided by

1 the state bond committee, in one or more series and shall (1) be dated;  
2 (2) bear interest at the prescribed rate per year or within the maximum  
3 rate; (3) be in a certain denomination or form, either coupon or regis-  
4 tered; (4) carry the conversion or registration provisions; (5) have  
5 rank or priority; (6) be executed in a certain manner and form; (7) be  
6 payable from the sources in the medium of payment and place or places  
7 inside or outside the state; (8) be subject to authentication by a  
8 fiscal agent; and (9) be subject to terms of redemption, with or without  
9 premium as the resolution of the bond committee may provide. Bond  
10 anticipation notes mature at a time determined by the commissioner of  
11 revenue. Bonds mature at a time determined by the state bond committee.  
12 Before the preparation of definitive bonds or bond anticipation notes,  
13 the state bond committee may issue interim receipts or temporary bonds  
14 or bond anticipation notes, with or without coupons, exchangeable for  
15 bonds or bond anticipation notes when the definitive bonds or bond  
16 anticipation notes have been executed and are available for delivery.

17 (d) Bonds or bond anticipation notes may be sold in the manner, on  
18 the terms, and at the price the state bond committee determines.

19 (e) If an officer whose actual or facsimile signature appears on  
20 any bonds or notes or coupons attached to them ceases to be an officer  
21 before the delivery of the bond, note or coupon, his signature is valid  
22 as if he had remained in office until delivery.

23 (f) In authorizing or issuing bonds or bond anticipation notes,  
24 the state bond committee may, with holders of the bonds or bond antici-  
25 pation notes, make covenants as may be necessary or desirable, to better  
26 secure bonds or notes or which, in the discretion of the committee, will  
27 tend to make bonds or notes more marketable and shall, for each issue,  
28 create a principal and interest account for repayment of the principal  
29 and interest of that issue.

1           Sec. 45.96.040. VALIDITY OF PLEDGE. The pledge of assets or  
2 revenues of the fund to the payment of the principal or interest of  
3 obligations of the fund is valid and binding from the time the pledge is  
4 made, and assets or revenues pledged are immediately subject to the lien  
5 of the pledge without physical delivery or further action. The lien of  
6 a pledge is valid and binding against all parties having claims of any  
7 kind in tort, contract or otherwise against the fund, regardless of  
8 whether those parties have notice of the lien of the pledge. Nothing  
9 prohibits the fund from selling assets subject to a pledge, except that  
10 a sale may be restricted by the resolution providing for the issuance of  
11 the obligations.

12           Sec. 45.96.050. REMEDIES. A holder of obligations issued under  
13 the provisions of this chapter or coupons attached to them if not re-  
14 stricted by the resolution, either at law or in equity, may enforce all  
15 rights granted under the coupons or under any other contract executed by  
16 the fund under this chapter, and may enforce and compel the performance  
17 of all duties required by this chapter to be performed by the fund or by  
18 an officer of it.

19           Sec. 45.96.060. NEGOTIABLE INSTRUMENTS. All obligations and  
20 interest coupons attached to the obligations are negotiable instruments  
21 under the laws of this state, subject only to applicable registration  
22 provisions.

23           Sec. 45.96.070. OBLIGATIONS ELIGIBLE FOR INVESTMENT. Obligations  
24 issued under the provisions of this chapter are securities in which all  
25 public officers and public bodies of the state and its political sub-  
26 divisions, all insurance companies, trust companies, banking associ-  
27 ations, investment companies, executors, administrators, trustees and  
28 other fiduciaries may properly and legally invest funds, including  
29 capital in their control or belonging to them. These obligations may be

1 deposited with the state or municipal officer of an agency or political  
2 subdivision of the state for any purpose for which the deposit of bonds,  
3 notes or obligations of the state is authorized by law.

4 Sec. 45.96.080. REFUNDING OBLIGATIONS. (a) The fund may provide  
5 for the issuance of refunding obligations for the purpose of refunding  
6 obligations then outstanding which have been issued under the provisions  
7 of this chapter, or bonds which have been issued by the state, political  
8 subdivisions of the state, or agencies or instrumentalities of the  
9 state, including the payment of redemption premium on them and interest  
10 accrued or to accrue to the date of redemption of the obligations. The  
11 issuance of the obligations, the maturities and other details of them,  
12 the rights of the holders of them, and the rights, duties and obliga-  
13 tions of the fund in respect of them are governed by the provisions of  
14 this chapter which relate to the issuance of appropriate obligations.

15 (b) Refunding obligations may be sold or exchanged for outstanding  
16 obligations issued under this chapter. If sold, the proceeds may be  
17 applied, in addition to other authorized purposes, to the purchase,  
18 redemption or payment of the outstanding obligations. Pending the  
19 application of the proceeds of any refunding obligations, with any other  
20 available funds, to the payment of the principal (accrued interest and  
21 any redemption premium on the obligations being refunded, and if so  
22 provided or permitted in the authorization for issuance of the refunding  
23 obligations, to the payment of any interest on the refunding obligations  
24 and any expenses in connection with the refunding), the proceeds may be  
25 invested in direct obligations of, or obligations the principal of and  
26 the interest on which are unconditionally guaranteed by, the United  
27 States of America which mature or which will be subject to redemption,  
28 at the option of the holders of them, not later than the respective  
29 dates when the proceeds, together with the interest accruing on them,

1 will be required for the purposes intended.

2       Sec. 45.96.090. CREDIT OF STATE NOT PLEDGED. Obligations issued  
3 under the provisions of this chapter are a debt, liability or obligation  
4 of the state but are payable solely from the revenues or assets of the  
5 fund. Each obligation issued under this chapter shall contain on its  
6 face a statement that the fund is not obligated to pay it nor the in-  
7 terest on it except from the revenues or assets pledged for it and that  
8 neither the faith and credit nor the taxing power of the state or of a  
9 political subdivision of the state is pledged to the payment of the  
10 principal of or interest on the obligation.

11       Sec. 45.96.100. TAX EXEMPTION. All property of the fund is public  
12 property devoted to an essential public and governmental function and  
13 purpose and is exempt from all taxes of the state or a political sub-  
14 division of the state. All bonds issued under this chapter are issued  
15 by a body corporate and public of this state and for an essential public  
16 and governmental purpose, and the bond and the interest and income on  
17 and from the bonds and all income of the fund are exempt from taxation  
18 except for transfer, inheritance and estate taxes.

19       Sec. 45.96.110. SALE OF BONDS. Before selling an issue or series  
20 of bonds, the state bond committee shall give notice inviting sealed  
21 bids in such manner as it may prescribe. If satisfactory bids are  
22 received, the bonds offered for sale shall be awarded to the highest  
23 responsible bidder. If the state bond committee determines that the  
24 bids received are not satisfactory as to price or responsibility of the  
25 bidders, it may reject all bids received.

26       Sec. 45.96.120. UNALLOCATED RESERVE ACCOUNT. (a) For the purpose  
27 of securing obligations of the fund, a special account called the un-  
28 allocated reserve account is established. The income from the permanent  
29 fund shall be paid to the commissioner of revenue for the purposes of

1 the unallocated reserve account. Other money may be appropriated to the  
2 account. The amounts necessary to fund the capital reserve account  
3 established under sec. 140 of this chapter, the fire insurance and  
4 liability reserve account under sec. 160 of this chapter, and the loss  
5 reserve account under sec. 150 of this chapter are allocated to those  
6 accounts and the amount certified as necessary for these allocations by  
7 the commissioner of revenue is hereby appropriated to these accounts.  
8 All other expenditures from this account shall be in accordance with  
9 annual appropriations.

10 (b) There is established within the unallocated reserve account a  
11 special sub-account called the general fund contribution account. This  
12 sub-account consists of the lesser of (1) all revenue to the general  
13 fund from mineral lease rentals, royalties, royalty sale proceeds,  
14 federal mineral revenue sharing payments and bonuses received by the  
15 state or (2) any amounts remaining in the general fund at the end of a  
16 fiscal year which have not been obligated or for which the appropriation  
17 has not lapsed at the end of the fiscal year. The sub-account may be  
18 used for any purpose the unallocated reserve account may be used for  
19 subject to appropriation by the legislature; however, a separate ac-  
20 counting for the sub-account shall be maintained.

21 Sec. 45.96.130. DEBT SERVICE RESERVE ACCOUNT. For the purpose of  
22 securing each issue of its obligations, the fund shall establish a  
23 special account called the debt service reserve account and shall pay  
24 into the account from the proceeds of the sale of that issue of its  
25 obligations the maximum amount permissible under federal law and regu-  
26 lations for tax exempt obligations. All money held in a debt service  
27 reserve account may be used as required, when money is not available  
28 from the principal and interest account or the capital reserve account,  
29 solely for (1) the payment of the principal of obligations, (2) the

1 purchase or redemption of obligations, (3) the payment of interest on  
2 obligations, or (4) the payment of any redemption premium required to be  
3 paid when those obligations are redeemed before maturity. Any amount  
4 remaining in a debt service reserve account when the issue the account  
5 secures is fully retired shall be paid to the unallocated reserve  
6 account.

7 Sec. 45.96.140. CAPITAL RESERVE ACCOUNT. For the purpose of se-  
8 curing each issue of its obligations, the fund shall establish a special  
9 account called the capital reserve account. The commissioner of revenue  
10 shall pay into that account from the unallocated reserve account upon  
11 establishment an amount equal to five per cent of the obligations issued  
12 and sold and upon subsequent sales, if any, of obligations of the issue  
13 secured an additional amount equal to five per cent of the obligations  
14 sold. At the end of each fiscal year the commissioner shall withdraw  
15 from each capital reserve account and pay to the unallocated reserve  
16 account any amount in the account in excess of five per cent of the  
17 obligations secured or, if the amount in the account is less than five  
18 per cent of the obligations secured, pay into the account from the  
19 unallocated reserve account the amount necessary to bring the reserve to  
20 five per cent. All money held in a capital reserve account may be used  
21 as required, when money is not available from the principal and interest  
22 account, solely for (1) the payment of the principal of obligations, (2)  
23 the purchase or redemption of obligations, (3) the payment of interest  
24 on obligations or (4) the payment of any redemption premium required to  
25 be paid when those obligations are redeemed before maturity. Any income  
26 or interest earned by a capital reserve account shall be paid to the  
27 unallocated reserve account established by sec. 120 of this chapter.  
28 Any amount remaining in a capital reserve account when the issue the  
29 account secures is fully retired shall be paid to the unallocated

1 reserve account.

2 Sec. 45.96.150. LOSS RESERVE ACCOUNT. (a) For the purpose of  
3 protecting the financial integrity of the fund, a special account called  
4 the loss reserve account is established. The commissioner of revenue  
5 shall pay into that account from the unallocated reserve account estab-  
6 lished by sec. 120 of this chapter an amount equal to five per cent of  
7 the estimated total amount of all loans to be made by the fund during  
8 the first fiscal year of operation. At the first of the succeeding  
9 fiscal year and each fiscal year thereafter, the commissioner shall pay  
10 into the fund from the unallocated reserve account the amount necessary  
11 to bring the balance of this account to five per cent of the total  
12 amount of loans projected to be outstanding during that fiscal year.

13 (b) If during the fiscal year the total amount of loans outstand-  
14 ing exceeds the amount projected to be outstanding, the commissioner of  
15 revenue shall pay into this account from the unallocated reserve account  
16 the sum needed to bring the balance of this account to five per cent of  
17 the amount of loans outstanding.

18 (c) The one per cent difference between the rate of interest paid  
19 by a borrower and the rate of interest paid by the fund required by  
20 sec. 420 of this chapter shall be allocated to the loss reserve account.

21 (d) Money in the loss reserve account may only be used for losses  
22 realized from loans made under this chapter, except when, at the begin-  
23 ning of a fiscal year, the balance of this account exceeds five per cent  
24 of the total amount of loans projected to be outstanding during the  
25 fiscal year, the amount in excess of five per cent shall be paid to the  
26 unallocated reserve account until all amounts paid to the loss reserve  
27 account and the capital reserve account have been paid and then to the  
28 earned income account of the loan programs fund.

29 Sec. 45.96.160. FIRE INSURANCE AND LIABILITY RESERVE ACCOUNT. The

1 fund may issue loans without requiring proof of insurance against fire  
2 and liability if an additional charge of six-tenths of one per cent per  
3 year is made. The receipts from this shall be deposited in the fire  
4 insurance and liability reserve account and may only be used to reim-  
5 burse the fund for losses which occur on property for which the charge  
6 provided by this section was in effect at the time of loss.

7 Sec. 45.96.170. INVESTMENT OF RESERVE ACCOUNTS. (a) The director  
8 of the division of treasury in the Department of Revenue shall invest  
9 money in the reserve accounts established by this chapter, other than  
10 funds in the debt service reserve account, only in

11 (1) obligations of, or obligations insured or guaranteed by  
12 the United States or agencies or instrumentalities of the United States;

13 (2) obligations secured by reserves paid in by the United  
14 States or agencies or instrumentalities of the United States or obliga-  
15 tions of corporations in which the United States is a shareholder or  
16 member; or

17 (3) corporate bonds rated "A" or better by a nationally  
18 recognized rating service.

19 (b) Funds in the debt service reserve account may only be invested  
20 in obligations described in (a)(1) or (2) of this section.

21 (c) In addition to the investments authorized in (a) of this  
22 section, the director of the division of treasury may invest money from  
23 the general fund contribution account, established in sec. 120(b) of  
24 this chapter, in obligations, instrumentalities, or bonds of the loan  
25 programs fund.

26 Sec. 45.96.180. INVESTMENTS. (a) All investments of the fund  
27 cash balances and of reserves for specific bond issues or statutorily  
28 required reserves are managed for the fund by the director of the divi-  
29 sion of treasury in the Department of Revenue. The director shall

1 determine investment policy and manage the investments of the fund under  
2 the same criteria applicable to other state investments he manages.

3 (b) The director of the division of treasury shall provide monthly  
4 reports to the Legislative Budget and Audit Committee relating to the  
5 investment of funds described in (a) of this section, including

- 6 (1) a summary of long-range and short-term investment policy;
- 7 (2) a list of investments made during the previous month;
- 8 (3) an evaluation of the performance of investments made;
- 9 (4) other information requested by the budget and audit  
10 committee.

11 Sec. 45.96.190. BUDGET. The operating budget is from the general  
12 fund unless the legislature specifically appropriates from the unallo-  
13 cated reserve and is subject to the Executive Budget Act (AS 37.07).

14 Sec. 45.96.200. ACCOUNTING. Accounting for the fund shall be  
15 provided by the Department of Administration. Reports shall be made by  
16 that department to the Department of Revenue, the Department of Commerce  
17 and Economic Development, and the Legislative Budget and Audit Committee  
18 on at least a monthly basis. These reports shall include an itemization  
19 of each loan which has been in default for a period in excess of 30 days  
20 and the measures taken for each to insure compliance with terms and  
21 conditions of the loan. The Legislative Budget and Audit Committee  
22 shall provide quarterly reports to the legislature summarizing the  
23 information it receives under this section and under secs. 180(b) and  
24 240(b) of this chapter and including comments and suggestions the com-  
25 mittee determines to be of interest to the legislature relating to the  
26 administration of the loan program. Other reports shall be made as  
27 prescribed by the Department of Commerce and Economic Development.

28 Sec. 45.96.210. LOAN PROCEDURES. (a) The director of the divi-  
29 sion of Alaska loan programs shall establish district loan offices in

1 Juneau, Fairbanks, and Anchorage and may establish other loan offices as  
2 necessary which shall be headed by district directors. The office shall  
3 provide information concerning the loan programs under this chapter,  
4 other state loan programs or grant programs, federal loan or grant  
5 programs, and, to the extent feasible, private loan information.

6 (b) For loans not exceeding \$350,000 exclusive of interest and  
7 charges a district loan committee consisting of the district director of  
8 the district loan office and two loan officers other than the loan  
9 officer processing the loan may approve the loan.

10 (c) For loans exceeding \$350,000 the loan must be approved by an  
11 executive loan committee consisting of the director of the division of  
12 Alaska loan programs, the commissioner of commerce and economic de-  
13 velopment or his designee, and, if the loan is other than a renewable  
14 resource loan, the director of the division of economic enterprise of  
15 the Department of Commerce and Economic Development or his designee, or,  
16 if the loan is a renewable resource loan, the director of the division  
17 of renewable resources within the Department of Commerce and Economic  
18 Development or his designee.

19 Sec. 45.96.220. ALASKA LOAN PROGRAMS EVALUATION COMMITTEE. (a)  
20 There is established in the Department of Commerce and Economic De-  
21 velopment the Alaska Loan Programs Evaluation Committee consisting of  
22 the directors, or their designees, of the following divisions: (1) the  
23 division of economic enterprises in the Department of Commerce and  
24 Economic Development, (2) the division of collections in the Department  
25 of Revenue, and (3) the division of Alaska loan programs in the De-  
26 partment of Commerce and Economic Development.

27 (b) With the exception of borrowers designated in sec. 230 of this  
28 chapter, the committee shall notify recipients of loans under the pro-  
29 visions of this chapter who have been delinquent in their loan repayments

1 for a period in excess of 30 days. Upon notification of delinquency,  
2 the borrower may request reevaluation and technical assistance from the  
3 committee. If the borrower requests reevaluation, the committee shall  
4 consider the terms and conditions of the loan as well as all other  
5 pertinent information to determine whether there are feasible alternative  
6 terms and conditions which will protect the interest of the state and  
7 prevent the default of the loan.

8 (c) In performing the duties described in (b) of this section, the  
9 committee shall have access to all nonconfidential records, data, in-  
10 formation, and statistics of all departments, boards, commissions,  
11 agencies, and institutions of the state. The committee shall also have  
12 access to any records or other information of the borrower which are  
13 pertinent to its investigation. Failure on the part of the borrower to  
14 provide the records or information shall be grounds for refusal to  
15 reevaluate.

16 (d) If the committee determines that alternative terms and con-  
17 ditions are available which will protect the interest of the state and  
18 prevent default of the loan, it may renegotiate the loan in accordance  
19 with those terms.

20 Sec. 45.96.230. RENEWABLE RESOURCES LOANS EVALUATION COMMITTEE.

21 (a) There is established in the Department of Commerce and Economic  
22 Development the Renewable Resources Loans Evaluation Committee con-  
23 sisting of the directors, or their designees, of the following divi-  
24 sions: (1) the division of Alaska loan programs in the Department of  
25 Commerce and Economic Development, (2) the division of collections in  
26 the Department of Revenue, and (3) the division of renewable resources  
27 development in the Department of Commerce and Economic Development.

28 (b) The committee shall notify recipients of renewable resources  
29 loans under the provisions of this chapter who have been delinquent in

1 their loan repayments for a period in excess of 30 days. Upon notifi-  
2 cation of delinquency, the borrower may request reevaluation and tech-  
3 nical assistance from the committee.

4 (c) The committee has the same powers and duties in regard to  
5 delinquent renewable resource loan recipients as the loan programs  
6 evaluation committee has in regard to other borrowers under the pro-  
7 visions of this chapter.

8 Sec. 45.96.240. COLLECTIONS; DIVISION OF COLLECTIONS. (a) There  
9 is established within the Department of Revenue the division of col-  
10 lections. The director of the division is in the classified service  
11 under AS 39.25 and shall receive an annual salary within range 27 of the  
12 salary schedule established in AS 39.27.011 or within one range below  
13 the highest paid deputy commissioner in the department if that is higher  
14 than range 27. In order to qualify for the position of director, a  
15 person must be an attorney licensed to practice in this state with at  
16 least four years of practice in business law and business practices.

17 (b) If a borrower who has received notification of delinquency in  
18 accordance with sec. 220 or 230 of this chapter does not request re-  
19 evaluation, or if the appropriate evaluation committee determines that  
20 renegotiation of the existing terms and conditions is not feasible or  
21 justified, and the loan is not brought current within 30 days after the  
22 notification of delinquency is sent, the loan shall be transferred to  
23 the loss reserve account and transmitted for collection to the division  
24 of collections. A monthly report of the status of the collection effort  
25 shall be made to the Legislative Budget and Audit Committee. The total  
26 principal and interest due shall be transferred from the loss reserve  
27 account, established in sec. 150 of this chapter, to the fund upon  
28 assignment of each loan.

29 Sec. 45.96.250. LOAN PURPOSES. The fund may make loans for

1 residential housing, commercial purposes, public purposes, and education.

2 Sec. 45.96.260. RESIDENTIAL HOUSING. In addition to other powers  
3 granted in this chapter, the fund may, for the purpose of providing  
4 housing for persons who meet the eligibility requirements of sec. 370 of  
5 this chapter,

6 (1) make or participate in the making of construction loans  
7 to sponsors, developers, and builders of land development or residential  
8 housing;

9 (2) make or participate in the making of mortgage loans to  
10 sponsors, developers, builders, and purchasers of residential housing;

11 (3) purchase or participate in the purchase of mortgage loans  
12 made to sponsors, developers, builders, owners, and purchasers of resi-  
13 dential housing;

14 (4) acquire real property, or any interest in real property,  
15 in its own name, by purchase, transfer or foreclosure, when the acqui-  
16 sition is necessary or appropriate to protect any loan in which the fund  
17 has an interest; sell, transfer and convey any such property to a buyer;  
18 and, if the sale, transfer or conveyance cannot be effected with rea-  
19 sonable promptness or at a reasonable price, rent or lease the property  
20 to a tenant pending the sale, transfer or conveyance;

21 (5) sell, at public or private sale, to any purchaser, in-  
22 cluding the Federal National Mortgage Association, all or any part of a  
23 mortgage or other instrument or document securing a construction, land  
24 development, mortgage or temporary loan of any type permitted by this  
25 section;

26 (6) purchase, in order to meet the requirements of the sale  
27 of its mortgages to the Federal National Mortgage Association, stock of  
28 the Federal National Mortgage Association;

29 (7) sell all or any part of a mortgage or other instrument or

1 document securing a construction, land development, mortgage or tempo-  
2 rary loan of any type permitted by this section to the teachers' re-  
3 tirement system (AS 14.25) if the borrower is a teacher subject to the  
4 provisions of AS 14.25 or to the public employees' retirement system  
5 (AS 39.35) if the borrower is a public employee included in the system;  
6 however, the security instrument shall be fully guaranteed as to payment  
7 of principal and interest by the fund.

8 Sec. 45.96.270. COMMERCIAL LOANS. In addition to other powers  
9 granted in this chapter, the fund may make loans to

10 (1) individual farmers, homesteaders, and partnerships or  
11 corporations composed of farmers and homesteaders, for development of  
12 farms, storage and processing of farm produce, livestock, machinery and  
13 equipment, farm irrigation and working capital for farm operations;

14 (2) individual commercial fishermen who have had a commercial  
15 fishing license for three years for the repair, restoration or upgrading  
16 of existing vessels and gear and for the purchase of entry permits and  
17 gear and the construction and purchase of vessels;

18 (3) holders of hatchery permits under AS 16.10.400 - 16.10.-  
19 470, including those holders issued permits before June 24, 1977, for  
20 the planning, construction, and operation of hatchery facilities;

21 (4) regional associations qualified in accordance with  
22 AS 16.10.380 which have formed a nonprofit corporation or a local non-  
23 profit corporation approved by a qualified regional association, for  
24 preconstruction activities necessary to obtain a permit under AS 16.10.-  
25 400 - 16.10.470;

26 (5) local development companies to assist the new financing  
27 of industrial and manufacturing plant construction, conversion or ex-  
28 pansion, including the acquisition of land, to the extent necessary  
29 to secure a loan for a portion of the cost by the Small Business

1 Administration under 15 U.S.C. sec. 696 (Section 502 of the Act of  
2 Congress entitled "Small Business Investment Company Act of 1958" as  
3 amended);

4 (6) develop, rehabilitate, and expand business activities in  
5 the state;

6 (7) child care facilities in the state to comply with the  
7 appropriate licensing standards for child care facilities or to comply  
8 with the requirements for certification by the Department of Education  
subject to the following conditions:

10 (A) the applicant shall submit to the fund a plan for  
11 the use of the loan funds which is approved by the commissioner of  
12 commerce and economic development;

13 (B) the applicant shall demonstrate that the proposed  
14 loan will enable the child care facility to obtain a license from  
15 the Department of Health and Social Services or a certificate from  
16 the Department of Education;

17 (C) the applicant shall apply to the Department of  
18 Community and Regional Affairs for and receive a certificate of  
19 need;

20 (8) public utilities other than publicly owned or nonprofit,  
21 as defined in AS 42.05.701(2)(A) and (C), for the following purposes and  
22 under the following conditions:

23 (A) loans may be used for capital construction projects,  
24 for hydroelectric generation and potable water supply including  
25 surface storage and groundwater sources and transmission of water  
26 from surface storage to the existing distribution system, and  
27 development of hydroelectric generating facilities including trans-  
28 mission of power to the load center;

29 (B) loans may be made to applicants for new or existing

1 projects including expenses incurred in securing necessary permits  
2 and licenses, design of the project and construction of capital  
3 improvements;

4 (C) existing hydroelectric and water supply projects may  
5 be expanded or rehabilitated with loan funds under this paragraph  
6 if the rehabilitation and expansion is a capital improvement pro-  
7 ject;

8 (D) loans shall be repaid to the fund by the borrower  
9 from revenue derived from the sale of electric power or water;

10 (E) the utility shall demonstrate in its loan applica-  
11 tion that the project is economically and technically feasible and,  
12 taking into account the low interest on loans under this chapter,  
13 is the most economical means of furnishing the proposed service;

14 (9) small businesses to acquire, finance or refinance or  
15 equip businesses;

16 (10) loggers and forest products manufacturers and processors  
17 for logging operations and equipment, forest products manufacturing or  
18 processing plants, and for working capital for logging operations and  
19 forest products manufacturing or processing;

20 (11) other businesses for equipment and operations related to  
21 harvesting, manufacturing and processing other renewable or nonrenewable  
22 resources in the state.

23 Sec. 45.96.280. CERTIFICATE OF NEED FOR CHILD CARE FACILITIES.

24 (a) The Department of Community and Regional Affairs shall determine  
25 whether to award a certificate of need to child care facilities applying  
26 for a loan under sec. 270(7) of this chapter on the basis of the fol-  
27 lowing criteria:

28 (1) the number of existing slots in licensed child care  
29 facilities in the geographic area of the applicant;

1 (2) the number of children in the geographic area who need  
2 child care;

3 (3) the proposed capacity of the applicant facility;

4 (4) other factors which are determined to be relevant by the  
5 department and are set out in regulations adopted by the Department of  
6 Community and Regional Affairs.

7 (b) The Department of Community and Regional Affairs shall submit  
8 its decision and the reasons for it to the applicant within 60 days of  
9 receipt of the application.

10 Sec. 45.96.290. VOLUNTARY ASSESSMENT ON SALE OF SALMON. (a) In  
11 place of or in addition to an assessment levied under AS 16.10.530, an  
12 association of persons licensed under AS 16.05.540 - 16.05.600, which  
13 consists of at least 51 per cent of the persons so licensed and actively  
14 participating in a fishery to be benefited by a hatchery program, may  
15 levy and collect an assessment from among its members for the purpose of  
16 securing and repaying a loan made under sec. 270(3) or (4) of this  
17 chapter.

18 (b) Upon satisfactory demonstration to the director of the divi-  
19 sion of Alaska loan programs that an assessment levied under this section  
20 may reasonably be relied upon to secure and repay a loan to be made  
21 under sec. 270(3) or (4) of this chapter, the director may make the loan  
22 without requiring an assessment under AS 16.10.530.

23 (c) If an assessment made under this section fails to satisfy the  
24 payments required on the principal and interest due on the loan, the  
25 director may negotiate with the regional association to levy an assess-  
26 ment under AS 16.10.530.

27 Sec. 45.96.300. PUBLIC PURPOSES. (a) The director of the divi-  
28 sion of Alaska loan programs shall lend money to municipalities with  
29 populations of less than 5,000 according to the most recent survey

1 conducted by the United States Census Bureau and to those corporations  
2 eligible under (d) of this section. Loans to municipalities shall be  
3 made through the purchase by the fund of municipal bonds. Loans to  
4 nonprofit corporations shall be made through revenue bonds issued on  
5 behalf of the corporation by the municipality in which the project is  
6 constructed. If the construction takes place outside a municipality,  
7 the revenue bonds shall be issued by the state bond committee on behalf  
8 of the nonprofit corporation. The cost of a loan made under this sec-  
9 tion shall be the same as the cost of borrowing to the fund. Loans made  
10 under this section are subject to the following conditions:

11 (1) When the amount of the issuance is \$5,000,000 or less,  
12 the loan shall be made through the purchase of general obligation or  
13 revenue bonds.

14 (2) The borough or city attorney shall certify that all legal  
15 requirements relating to required elections, if necessary, and issuance  
16 have been met, or if the bonds are issued outside a municipality, cer-  
17 tification shall be made by the Department of Law.

18 (3) The bonds shall be in indefinite form prepared by the  
19 municipality's attorney and approved by the attorney general.

20 (4) The bonds shall be for a term commensurate with purpose,  
21 but in no event for more than 30 years on an even annual debt service  
22 basis.

23 (b) The director of the division of Alaska loan programs shall  
24 submit a bid for all general obligation bonds offered on a competitive  
25 basis by a home rule borough or city or general law borough or city of  
26 any class incorporated under the laws of the state if the borough or  
27 city provides its bid form to the director at least 10 days before the  
28 opening of the bid. The request for bids and the bid proposal shall  
29 provide for issuing all or a portion of the bonds based upon the best

1 combination of bids. The bid shall be determined on the basis of the  
2 Daily Bond Buyer 20 bond average as follows:

3 (1) For general obligation bonds with a rating of "A" or  
4 higher, the bid shall be

5 (A) 100 points under the average for the first five  
6 years maturity;

7 (B) 75 Points under the average for the next five years  
8 maturity;

9 (C) 50 points under the average for the next five years  
10 maturity;

11 (D) 25 points under the average for the next five years  
12 maturity;

13 (E) 0 points under the average for the next five years  
14 maturity;

15 (F) 25 points above the average for the next five years  
16 maturity.

17 (2) For general obligation bonds with a rating of "Baa" or  
18 lower or which are unrated, the bid shall be

19 (A) 50 points under the average for the first five years  
20 maturity;

21 (B) 25 points under the average for the next five years  
22 maturity;

23 (C) 0 points under the average for the next five years  
24 maturity;

25 (D) 25 points above the average for the next five years  
26 maturity;

27 (E) 50 points above the average for the next five years  
28 maturity;

29 (F) 75 points above the average for the next five years

1 maturity.

2 (3) If there are no bids, the director shall purchase the  
3 bonds at a six per cent interest rate for all maturities.

4 (c) The director of the division of Alaska loan programs shall  
5 submit a bid for all revenue bonds offered on a competitive basis by a  
6 home rule borough or city or general law borough or city of any class  
7 incorporated under the laws of the state or on behalf of a nonprofit  
8 corporation performing any of the functions described in AS 29.48 for  
9 which revenue sharing is received directly or indirectly by the cor-  
10 poration or on behalf of those nonprofit corporations described in (d)  
11 of this section if the borough, city, or nonprofit corporation provides  
12 its bid form to the director at least 10 days before the opening of the  
13 bid. The request for bids and the bid proposal shall provide for issu-  
14 ing all or a portion of the bonds based upon the best combination of  
15 bids. The bid shall be determined on the basis of the Daily Bond Buyer  
16 20 bond average as follows:

17 (1) 50 points under the average for the first five years  
18 maturity;

19 (2) 25 points under the average for the next five years  
20 maturity;

21 (3) 0 points under the average for the next five years  
22 maturity;

23 (4) 25 points above the average for the next five years  
24 maturity;

25 (5) 50 points above the average for the next five years  
26 maturity;

27 (6) 75 points above the average for the next five years  
28 maturity;

29 (d) A nonprofit corporation is eligible for a loan under this

1 section if

2 (1) it is designated as tax exempt under sec. 501(c)(3) and  
3 (4) of the Internal Revenue Code of 1954;

4 (2) it is a public corporation or other municipal instru-  
5 mentality under AS 29.59.010; or

6 (3) it is statutorily created and performs a state function.

7 (e) The major part of the proceeds of any bond issue shall be used  
8 for purposes which are tax exempt under federal law and regulation in  
9 effect at the time the bonds are issued.

10 Sec. 45.96.310. DEFAULT ON MUNICIPAL BONDS. (a) Notwithstanding  
11 any provision of law, to the extent that any department or agency of the  
12 state is the custodian of money payable to a municipality, at any time  
13 after written notice to the department or agency head from the commis-  
14 sioner of revenue that the municipality is in default on the payment of  
15 principal or interest on municipal bonds of the municipality then held  
16 or owned by the fund, the department or agency shall withhold the pay-  
17 ment of that money from that municipality and pay over the money to the  
18 fund for the purpose of paying principal of and interest on bonds of the  
19 fund.

20 (b) If money is not available to make any payment of principal and  
21 interest when due on a bond issue, the chief executive officer of the  
22 municipality which issued the bonds shall notify the commissioner of  
23 revenue at least 20 days in advance of the pending default that a de-  
24 fault is pending. Failure to give the notice of pending default is  
25 grounds for removal of the chief executive officer from office and, if  
26 default occurs, the office is forfeited and is filled as provided by law  
27 for filling vacancies.

28 Sec. 45.96.320. MUNICIPAL BOND CAPITAL RESERVE ACCOUNT. For the  
29 purpose of securing each tax exempt bond issue of municipalities of the

1 state and those bonds on behalf of nonprofit corporations guaranteed or  
2 issued under this chapter there is established a special account called  
3 the municipal bond capital reserve account. The commissioner of revenue  
4 shall pay into that account from the unallocated reserve account upon  
5 establishment an amount equal to five per cent of the obligations issued  
6 and sold after July 1, 1978 and upon subsequent sales, if any, of obli-  
7 gations of the issue secured an additional amount equal to five per cent  
8 of the obligations sold. At the end of each fiscal year the commis-  
9 sioner shall withdraw from the municipal bond capital reserve account  
10 and pay to the unallocated reserve account any amount in the account in  
11 excess of five per cent of the obligations secured or, if the amount in  
12 the account is less than five per cent of the obligations secured, pay  
13 into the account from the unallocated reserve account the amount neces-  
14 sary to bring the reserve to five per cent. All money held in a muni-  
15 cipal bond capital reserve account may be used as required, when money  
16 is not available from the principal and interest account, solely for (1)  
17 the payment of the principal of obligations, (2) the purchase or re-  
18 demption of obligations, (3) the payment of interest on obligations, or  
19 (4) the payment of any redemption premium required to be paid when those  
20 obligations are redeemed before maturity. Any income or interest earned  
21 by the account shall be paid to the unallocated reserve account. Any  
22 amount remaining in a municipal bond capital reserve account when the  
23 issue the account secures is fully retired shall be paid to the unal-  
24 located reserve account.

25  
26 Sec. 45.96.330. INDUSTRIAL DEVELOPMENT LOANS. (a) The director  
27 of the division of Alaska loan programs may lend money to businesses  
28 conducting exempt activities under sec. 103(b)(4) and (5) of the Inter-  
29 nal Revenue Code of 1954 for those activities either directly or through  
30 purchase by the fund of industrial development bonds issued on behalf of

1 the business by the state bond committee.

2 (b) A loan may be made under this section only if upon payment of  
3 the loan the project shall be the property of

4 (1) the municipality in which the activity is conducted,  
5 unless the municipality has provided otherwise by a resolution adopted  
6 before approval of the loan; or

7 (2) the state if the activity is not conducted within a  
8 municipality.

9 (c) Any corporation, partnership, or firm doing business in the  
10 state is eligible for a loan under this section if

11 (1) the governing body of the municipality in which the  
12 activity is performed has been given notice of the project and the  
13 application for loan or purchase and has approved the project and ap-  
14 plication, or has not within 60 days of receipt of notice notified the  
15 director in writing that it disapproves the loan; or

16 (2) when the activity is not performed within a municipality,  
17 the commissioner of community and regional affairs approves the project.

18 (d) A corporation, partnership, or firm which requests a loan of  
19 greater than \$5,000,000 for a project under this section may request a  
20 special series of bonds for its project. The director of the division  
21 of Alaska loan programs may request the state bond committee to issue  
22 the special series of bonds on behalf of the corporation, partnership,  
23 or firm in place of making a direct loan. A corporation, partnership,  
24 or firm is eligible for a special bond series for its project if it has  
25 a credit rating of "A" or better.

26 Sec. 45.96.340. PROJECT COSTS ELIGIBLE FOR BONDING. In addition  
27 to costs directly related to a project, the sum total of all costs of  
28 financing and carrying out a project are eligible for bonding under  
29 secs. 300 - 330 of this chapter. These include, but are not limited to,

1 the costs of all necessary studies, surveys, plans and specifications,  
2 architectural, engineering or other special services, acquisition of  
3 real property, site preparation and development, purchase, construction,  
4 reconstruction and improvement of real property and the acquisition of  
5 machinery and equipment as may be necessary in connection with a pro-  
6 ject; an allocable portion of the administrative and operating expenses  
7 of the issuer; the cost of financing the project, including interest on  
8 bonds issued to finance the project; and the cost of other items, in-  
9 cluding any indemnity and surety bonds and premiums on insurance, legal  
10 fees, fees and expenses of trustees, depositaries, financial advisors,  
11 and paying agents for the bonds issued as the issuer considers neces-  
12 sary.

13 Sec. 45.96.350. EDUCATION. (a) In addition to other powers  
14 granted in this chapter, the fund may be used to make scholarship loans  
15 to students selected under (b) - (g) of this section.

16 (b) Proceeds from scholarship loans may only be used for trans-  
17 portation, books, tuition and required fees, and for room and board.  
18 The loans may only be used to attend a career education program approved  
19 by the Alaska Commission on Postsecondary Education or a college or  
20 university accredited by the accreditation association for the region in  
21 which the college or university is located.

22 (c) To maintain a loan the student must continue to be enrolled as  
23 a full-time student in good standing in a work study program approved by  
24 the Department of Education, in a career education program, or in a  
25 college or university designated under (b) of this section.

26 (d) Loans are noninterest bearing while a student is enrolled  
27 under (c) of this section or is receiving a deferment of payments under  
28 (g) of this section.

29 (e) The repayment period for student loans is 10 years. Unless a

1        deferment of payments has been granted under (g) of this section, re-  
2        payment shall commence when the student terminates his studies. In case  
3        of hardship, the Alaska Loan Programs Evaluation Committee may extend  
4        repayment of a loan for an additional period of up to five years.

5                (f) If, upon completion of the course of study for which the loan  
6        was granted, the borrower repays 60 per cent of the principal amount of  
7        the loan with interest with no delinquency, the remaining 40 per cent  
8        owing shall be forgiven.

9                (g) The Alaska Loan Programs Evaluation Committee shall defer  
10        repayment of a loan during any of the following:

11                (1) the first year after a student terminates his studies;

12                (2) return by the student to student status as provided in  
13        (c) of this section;

14                (3) performance by the student of military or required alter-  
15        native service; or

16                (4) 50 per cent or greater disability of the student, as  
17        certified by competent medical authority.

18                Sec. 45.96.360. TOURISM, HISTORICAL AND OPEN SPACE LOANS. (a) In  
19        addition to other powers granted in this chapter, the fund may make  
20        loans to a business directly involved in the tourist industry.

21                (b) Upon endorsement and plan approval by a local historical  
22        district commission established under AS 29.48.108 and the recommend-  
23        ation of a majority of the members of the Historic Sites Advisory Com-  
24        mittee, the fund may make loans to a person, firm, business or munici-  
25        pality subject to applicable laws for the restoration, improvement,  
26        rehabilitation, or maintenance of a structure which is

27                (1) within the boundaries of an historical district estab-  
28        lished under AS 29.48.110;

29                (2) identified as important in state or national history as

1 provided for in AS 29.48.110(b); or

2 (3) another building or structure within an historical dis-  
3 trict, and suitable for superficial modification so that it can conform  
4 to the period or motif of the surrounding buildings or structures that  
5 are the reason for the area's designation as an historical district.

6 Sec. 45.96.370. ELIGIBILITY. In order to be eligible for a loan  
7 under this chapter a person must have been a resident of the state for  
8 at least five years on the date of application for the loan and must be  
9 18 years of age or older. A corporation is eligible for a loan if more  
10 than 60 per cent of its shareholders have been residents of the state  
11 for at least five years on the date of the application for the loan, the  
12 chief executive officer and all members of the governing board of the  
13 corporation have been residents of the state for at least five years on  
14 the date of application for the loan, and the chief executive officer  
15 and members of the governing board assume full individual liability for  
16 repayment of the loan. A loan to a corporation is immediately due and  
17 payable if it ceases to meet these eligibility criteria. An individual  
18 is ineligible if

19 (1) he is 60 days or more delinquent on a loan from the state  
20 or an agency of the state outstanding on the effective date of this Act  
21 or on a loan made under this chapter, but if the delinquency is cured  
22 eligibility is restored after expiration of 10 years from curing the  
23 delinquency; or

24 (2) a loan from the state or an agency of the state has  
25 been discharged in bankruptcy unless the loan is repaid in full and  
26 10 years from the date of full payment has expired.

27 Sec. 45.96.380. MAXIMUM LOAN AMOUNTS. (a) Loans made under the  
28 authority of sec. 260 of this chapter for the purchase or construction  
29 of residential housing may not exceed the following limitations: (1)

1 \$90,000 for a single family dwelling; (2) \$130,000 for a duplex; (3)  
2 \$170,000 for a triplex; (4) \$210,000 for a fourplex. Any loan made for  
3 the purchase or construction of residential facilities in excess of four  
4 units shall be treated as a commercial buildings loan subject to the  
5 limitations placed on such loans in (b)(1) of this section.

6 (b) Commercial loans made under the authority of sec. 270 of this  
7 chapter may not exceed the following limitations:

8 (1) \$500,000 per individual for business activities; farm  
9 development; agricultural irrigation systems; purchase, construction,  
10 renovation, or repair of commercial buildings; fish manufacturing and  
11 processing; fishing vessels and gear; logging operations and equipment;  
12 timber manufacturing and processing; nonrenewable resource extraction;  
13 or any other activity not otherwise specifically provided for in this  
14 section;

15 (2) \$350,000 per individual for farm chattel other than for  
16 irrigation systems;

17 (3) 10 per cent of the farm's gross receipts for the previous  
18 fiscal year up to a maximum of \$250,000 for farm working capital;

19 (4) 10 per cent of the fisherman's gross receipts for the  
20 previous fiscal year up to a maximum of \$250,000 for working capital for  
21 fishing.

22 (c) Loans for a single project under (b)(1) and (2) of this sec-  
23 tion may be made in excess of the maximum limits but not to exceed  
24 \$5,000,000 for loans under (b)(1) or \$1,100,000 for loans under (b)(2)  
25 if

26 (1) the loan is made to more than one but not more than 10  
27 individuals participating in the project and the loan to each individual  
28 does not exceed the applicable maximum limit; or

29 (2) the loan is made to a corporation and no more than 10

1 individuals owning stock in that corporation assume personal liability  
2 for the loan in an amount which as to each individual does not exceed  
3 the applicable maximum limit.

4 (d) Educational loans made under the authority of sec. 350 of this  
5 chapter may not exceed the following limitations:

- 6 (1) \$4,000 per individual per year for undergraduate studies;
- 7 (2) \$8,000 per individual per year for graduate studies;
- 8 (3) \$4,000 per individual per year for vocational studies;
- 9 (4) \$4,000 per individual per year for work studies;
- 10 (5) \$16,000 maximum outstanding loan balance per individual.

11 (e) No more than three loans may be made to any person for other  
12 than educational purposes under this chapter. A loan to an associate of  
13 the borrower is considered to be a loan to the borrower. For the pur-  
14 poses of this section, "associate of the borrower" means

15 (1) a corporation or other organization of which the borrower  
16 is an officer, director or partner, or is, directly or indirectly, the  
17 beneficial owner of 10 per cent or more of any class of equity securi-  
18 ties;

19 (2) a person who is, directly or indirectly, the beneficial  
20 owner of 10 per cent or more of any class of equity securities of the  
21 borrower;

22 (3) a trust or other estate in which the borrower has a  
23 substantial beneficial interest or as to which the borrower serves as  
24 trustee or in a similar fiduciary capacity;

25 (4) a relative or spouse of the borrower or a relative of the  
26 spouse, who has the same home as the borrower;

27 (5) a person directly or indirectly controlling, controlled  
28 by, or under common control with, the borrower.

29 (f) The maximum loan amounts established in (a) - (d) of this

1 section shall increase in proportion to increases in the consumer price  
2 index for Anchorage. The consumer price index for Anchorage for July 1,  
3 1978 shall be the basis for determining percentage increases in the  
4 maximum loan amounts.

5 Sec. 45.96.390. AREA COST DIFFERENTIAL. (a) The maximum loan  
6 amounts established in sec. 380(a) and (b) of this chapter shall be  
7 increased by the area cost differential as determined by the formula  
8  $LCC/BCC \times LCOL/BCOL$  where

9 (1) LCC is the cost of construction in the area in which the  
10 facility is located;

11 (2) BCC is the cost of construction in the city or borough  
12 having the lowest cost of construction in the state;

13 (3) LCOL is the cost of living in the area in which the  
14 facility is located;

15 (4) BCOL is the cost of living in the city or borough having  
16 the lowest cost of living in the state.

17 (b) For purposes of this section the Department of Transportation  
18 and Public Facilities shall annually determine the cost of construction  
19 and the cost of living in each area of the state under regulations  
20 promulgated by the department establishing standards for the determi-  
21 nation.

22 Sec. 45.96.400. ADDITIONAL LOAN LIMITATIONS. The maximum loan  
23 amounts established in secs. 380(b) and 390 of this chapter shall be  
24 further limited, based upon the actual technical and managerial experi-  
25 ence of the borrower relating to the project or activity for which the  
26 loan is made, as follows:

27 (1) if the borrower's experience is less than two years, he  
28 may receive up to 50 per cent of the maximum amount;

29 (2) if the borrower's experience is two to three years, he

1 may receive up to 70 per cent of the maximum amount;

2 (3) if the borrower's experience is three to four years, he  
3 may receive up to 80 per cent of the maximum amount;

4 (4) if the borrower's experience is four to five years, he  
5 may receive up to 90 per cent of the maximum amount;

6 (5) if the borrower's experience is five years or more, he  
7 may receive 100 per cent of the maximum amount.

8 Sec. 45.96.410. VALUE LIMITATION. The provisions of secs. 380 -  
9 400 of this chapter notwithstanding, no loan made under this chapter  
10 may exceed

11 (1) 90 per cent of the appraised value of real property  
12 pledged as security for the loan;

13 (2) 95 per cent of the appraised value of real property  
14 pledged as security for the loan if the loan is for residential housing  
15 and is made in an area where Federal Housing Administration mortgage  
16 insurance is not available; or

17 (3) 80 per cent of equipment pledged as security for the  
18 loan.

19 Sec. 45.96.420. MAXIMUM TERMS OF LOANS. The term of a loan made  
20 under this chapter may not exceed the useful life of the property  
21 pledged as security for the loan nor

22 (1) 30 years on a loan secured by real property;

23 (2) 15 years or the life of the equipment on a loan secured  
24 by equipment used for production of income;

25 (3) seven years or the life of the chattel on a loan secured  
26 by other chattels;

27 (4) one year on a loan for working capital.

28 Sec. 45.96.430. RATE OF INTEREST. (a) The rate of interest  
29 charged to borrowers under this chapter shall be the amount determined

1 by the commissioner of revenue to be sufficient to cover anticipated  
2 cost of money to the fund and is, for borrowers other than municipali-  
3 ties, one per cent over the anticipated cost plus the amount required  
4 for any necessary insurance. The determination of the anticipated cost  
5 by the commissioner is conclusive. Rates of interest less than that,  
6 except as provided in (b) of this section, may be charged if the renew-  
7 able resource development fund or another state fund agrees to pay the  
8 difference between cost and the interest rate to be charged or if  
9 appropriation for the purpose of paying the difference has been made.

10 (b) The rate of interest determined in accordance with (a) of this  
11 section shall be reduced by one per cent if the loan is made to a  
12 veteran or is made for agricultural purposes. If the loan is made to a  
13 veteran, the World War II veterans' revolving fund, created in AS 26.-  
14 15.090, shall pay the difference between the rate determined in (a) of  
15 this section and the rate charged to the borrower. If the loan is made  
16 for agricultural purposes, the agricultural revolving loan fund, created  
17 in AS 03.10.040, shall pay the the difference between the rate deter-  
18 mined in (a) of this section and the rate charged to the borrower. If  
19 the loan is made to a veteran and for agricultural purposes, the rate of  
20 interest shall be reduced by two per cent and each fund shall pay one-  
21 half the difference.

22 (c) When the World War II veterans' revolving fund's assets become  
23 depleted so that it can no longer pay the difference, the provisions of  
24 (b) of this section relating to loans made to veterans apply only if  
25 appropriation is made for the purpose of paying the difference. When  
26 the agricultural revolving loan fund's assets become depleted so that it  
27 can no longer pay the difference, the renewable resources development  
28 fund shall pay a portion of the interest determined by the division of  
29 renewable resources to be appropriate.

1           Sec. 45.96.440. ELIGIBILITY FOR VETERANS' INCENTIVE. (a) The  
2 following persons are eligible for special interest rates for veterans  
3 established in sec. 430(b) of this chapter:

4           (1) any person who served in the armed forces of the United  
5 States for 90 days or more, or whose service was for less than 90 days  
6 because of injury or disability incurred in the line of duty, between  
7 April 6, 1917 and November 11, 1918, and beginning September 16, 1940 to  
8 six months after termination of hostilities involving United States  
9 forces in Indo-China, or in a combat zone during any period of armed  
10 conflict, who was separated from the armed forces with a discharge other  
11 than dishonorable, and

12           (A) who at the time of induction into the service was a  
13 resident of the territory, who had been a resident for not less  
14 than one year immediately before his induction, and who returned to  
15 the territory or state after discharge as a resident with the  
16 intention of remaining in the territory or state; or

17           (B) who, not being a bona fide resident of the territory  
18 before his entry into the service, has been a resident of the  
19 territory or state for five or more years;

20           (2) any person who was dependent on a member of the armed  
21 forces or a veteran of World War II at the time of the member's or  
22 veteran's death if

23           (A) the member or veteran was a resident of the terri-  
24 tory for one year before induction into the service;

25           (B) he served in the armed forces for at least 90 days  
26 between September 16, 1940, and July 25, 1947, but no benefits for  
27 loans accrue to dependents of an enlistee or reenlistee for time  
28 served after November 1, 1945, regardless of whether the enlistment  
29 or reenlistment was before or after November 1, 1945;

1 (C) he died before the official date of the termination  
2 of that war; and

3 (D) his discharge was not dishonorable;

4 (3) any person who has served in the Alaska Army National  
5 Guard, the Alaska Air National Guard, or the Alaska Naval Militia for  
6 not less than six years and who has not received a discharge other than  
7 honorable.

8 (b) The provisions of sec. 430(b) of this chapter are extended to  
9 persons who served other than dishonorably on active duty between  
10 June 25, 1950 and January 31, 1955, who served other than dishonorably  
11 on active duty between August 4, 1964, and six months after termination  
12 of hostilities involving forces of the United States, and to dependents  
13 of those persons, subject to the following provisions and eligibility  
14 qualifications:

15 (1) a discharge other than dishonorable from the armed forces  
16 of the United States or release to a reserve component;

17 (2) at the time of entry into the service residency in the  
18 territory or state for not less than one year before entry into the  
19 service, and return to the territory or state within a reasonable length  
20 of time after discharge or separation with the intention of remaining in  
21 the territory or state; or lacking residency before entry into the  
22 service, residency in the territory or state for at least five years  
23 following release from active military service; and

24 (3) service in the armed forces of the United States for  
25 90 days or more, or service for a lesser period because of injury or  
26 disability incurred in line of duty, between June 25, 1950, and  
27 January 31, 1955, or service in the armed forces of the United States  
28 for 90 days or more or service for a lesser period because of injury or  
29 disability incurred in line of duty, between August 4, 1964, and

1 July 1, 1977.

2 (c) A person who is eligible under more than one of the qualifi-  
3 cation provisions of (a) and (b) of this section shall have the rate of  
4 interest on his loan reduced by one and one-half per cent.

5 Sec. 44.96.450. EMPLOYMENT PRACTICES. (a) In the performance of  
6 contracts let by a recipient of a loan under this chapter for construc-  
7 tion, repair, preliminary surveys, engineering studies, consulting,  
8 maintenance work or any other retention of services necessary to com-  
9 plete any project for which the loan was made, 95 per cent residents  
10 shall be employed where they are available and qualified. If 10 or  
11 fewer persons are employed under the contract, then 90 per cent resi-  
12 dents shall be employed where they are available and qualified.

13 (b) The commissioner of commerce and economic development shall  
14 incorporate into all lending instruments issued under this chapter the  
15 provisions of (a) of this section and a provision calling for immediate  
16 foreclosure of the loan for violation of the provisions of (a) of this  
17 section.

18 (c) In addition to immediate foreclosure of his loan, as provided  
19 in (b) of this section, a borrower who violates the provisions of (a) of  
20 this section is ineligible for any loan under this chapter for 10 years  
21 following the violation.

22 (d) Municipalities and state agencies and departments when con-  
23 tracting for services concerning any aspects of administration and  
24 financing of the fund shall comply with AS 36.10.

25 Sec. 44.96.460. COOPERATION WITH OTHER AGENCIES. All departments,  
26 agencies and public corporations of the state shall provide information,  
27 services and facilities to the fund on its request. The fund shall  
28 reimburse the department, agency or corporation for expenses reasonably  
29 incurred on the fund's behalf.

1           Sec. 44.96.470. BANK PARTICIPATION. (a) Loans made under the  
2 authority of this chapter may be made in participation with financial  
3 institutions. The participating financial institution may act as agent  
4 for the division of Alaska loan programs in the initial processing of  
5 applications for loans. Fees for such services shall be mutually agreed  
6 upon.

7           (b) If a financial institution participates in a loan, the fund  
8 and the participating institution shall share the same ratable interest  
9 in the collateral securing the loan. Loan payments made by the borrower  
10 shall be distributed between the financial institution and the fund on a  
11 pro rata basis.

12           (c) The participating financial institution shall fix the rate of  
13 interest charged by it but may not exceed the legal contract rate of  
14 interest prescribed by law.

15           (d) The maximum service fee for administering a loan which may be  
16 charged by a participating financial institution is one-eighth of  
17 one per cent.

18           Sec. 44.96.480. ASSURANCE REQUIRED. In each loan made from the  
19 fund the loan agreement shall contain a contractual assurance by the  
20 borrower that no person who provides services to the borrower in pre-  
21 liminary phases of a project, including all studies made in connection  
22 with the project, may participate in the implementation stages of that  
23 project or may represent more than one interest in connection with the  
24 project. A list of all persons performing preliminary services shall be  
25 furnished to the division of Alaska loan programs as part of the loan  
26 application, and a list of all persons with whom the borrower has  
27 contractual relations in respect to the project after the application  
28 for loan shall be submitted to the division at intervals the division  
29 requires.

1           Sec. 44.96.490. DEFINITIONS. For purposes of this chapter, "the  
2 fund" and "the loan programs fund" mean the Alaska loans program fund  
3 created in sec. 20 of this chapter.

4 \* Sec. 2. AS 37 is amended by adding a new chapter to read:

5                   CHAPTER 13. ALASKA PERMANENT FUND.

6           Sec. 37.13.010. ALASKA PERMANENT FUND. Under art. IX, sec. 15 of  
7 the state constitution there is established within the Department of  
8 Revenue as a separate fund the Alaska Permanent Fund. The permanent  
9 fund consists of 25 per cent of all mineral lease rentals, royalties,  
10 royalty sale proceeds, federal mineral revenue sharing payments and  
11 bonuses received by the state. The commissioner of revenue shall de-  
12 posit in the permanent fund 25 per cent of the receipts from these  
13 sources at least once each month.

14           Sec. 37.13.020. INVESTMENT OF THE PERMANENT FUND. (a) The Alaska  
15 Permanent Fund may be invested only in any of the following:

16                   (1) obligations of, or obligations insured or guaranteed by,  
17 the United States or agencies or instrumentalities of the United States;

18                   (2) obligations secured by reserves paid in by the United  
19 States or agencies or instrumentalities of the United States or obliga-  
20 tions of corporations in which the United States is a shareholder or  
21 member;

22                   (3) notes issued by the Farmers Home Administration;

23                   (4) bank certificates of deposit which are secured as to the  
24 payment of principal and interest in accordance with Alaska law;

25                   (5) corporate obligations rated "A" or better by a nationally  
26 recognized rating service or of equivalent quality;

27                   (6) other securities, including corporate securities;

28                   (7) Federal Housing Administration mortgages;

29                   (8) Federal Veterans Administration mortgages;

1 (9) conventional residential mortgages if the offering fi-  
2 nancial institution retains at least 25 per cent of the mortgage;

3 (10) other secured loans, if the offering financial insti-  
4 tution retains at least 33 1/3 per cent of the mortgage;

5 (11) bankers acceptances drawn on and accepted by banks with a  
6 combined capital and surplus aggregating at least \$200,000,000.

7 (b) To qualify as a mortgage or secured loan which may be pur-  
8 chased by the state under (a)(9) or (10) of this section, the mortgage  
9 or secured loan shall

10 (1) be secured by real estate in the state or other col-  
11 lateral allowed under (a)(10) of this section;

12 (2) have as a mortgagor an Alaskan resident or a corporation  
13 in which at least 60 per cent of the stock is owned by Alaska residents;

14 (3) be certified by the originating financial institution  
15 that the loan being sold has been made in compliance with law and that  
16 liens supporting the loan have been perfected;

17 (4) have no initial closing fees or service fees which exceed  
18 one-half of one per cent, excluding closing costs.

19 (c) When more than one-half of one per cent of the aggregate of  
20 all loans purchased from a financial institution becomes delinquent for  
21 a period of 60 days or more, the state shall discontinue purchasing  
22 loans from that financial institution until the delinquency is reduced  
23 to less than one-half per cent.

24 (d) The permanent fund may purchase loans provided for in (a)(9)  
25 or (10) of this section only from financial institutions which are  
26 operating under the national banking laws, federal savings and loan  
27 laws, or under the provisions of AS 06.05, 06.15, 06.25 and 06.30.

28 (e) The permanent fund may purchase loans provided for in (a)(7),  
29 (8), (9), or (10), if the security for the loan is located in the state,

1 only with the approval of each purchase by the division of Alaska loan  
2 programs of the Department of Commerce and Economic Development.

3 (f) Investment policy shall be formulated by the director of the  
4 division of treasury of the Department of Revenue subject to the ap-  
5 proval of the commissioner of revenue. In formulating investment policy  
6 the director shall consider maximum income and safety as governed by the  
7 prudent-man rule. The investment policy shall be proposed to the legis-  
8 lature during the first 10 days of any regular session and only becomes  
9 effective 60 days after presentation or at the end of the session,  
10 whichever is earlier, unless disapproved by a resolution concurred in by  
11 a majority of the members of each house.

12 (g) The commissioner of revenue may enter into contracts for  
13 services providing investment advice, custody of securities, and execu-  
14 tion of transactions, in or outside the state.

15 (h) In this section

16 (1) "closing costs" means appraisal costs, legal costs, title  
17 insurance, and any other out-of-pocket expenses approved by the com-  
18 missioner of revenue;

19 (2) "mortgage" means a pledge or security of particular  
20 property for the payment of a debt or the performance of some other  
21 obligation, whatever form the transaction may take;

22 (3) "resident" means a person domiciled in the state;

23 (4) "securities" means bonds, notes, debentures and all other  
24 forms of indebtedness but does not include common stock, preferred  
25 stock, and all other forms of equity capital.

26 \* Sec. 3. AS 37.11 is amended by adding new sections to read:

27 Sec. 37.11.085. MANAGEMENT AND INVESTMENT POLICY. The management  
28 and investment policy of the renewable resources development fund and  
29 renewable resources permanent fund shall be formulated by the director

1 of the division of treasury of the Department of Revenue subject to the  
2 approval of the commissioner of revenue. In formulating investment  
3 policy the director of the division of treasury shall consider maximum  
4 income and safety as governed by the prudent-man rule. The investment  
5 policy shall be proposed to the legislature during the first 10 days of  
6 any regular session and only becomes effective 60 days after presenta-  
7 tion or at the end of the session, whichever is earlier, unless dis-  
8 approved by a resolution concurred in by a majority of the members of  
9 each house.

10 ARTICLE 4. ALASKA RENEWABLE RESOURCES DEVELOPMENT  
11 FINANCIAL ASSISTANCE PROGRAM.

12 Sec. 37.11.110. DECLARATION OF POLICY. (a) It is the policy of  
13 the state in the development of its renewable resources to seek to  
14 accomplish the development of its human resources by providing maximum  
15 opportunities for employment and a higher standard of living for its  
16 residents in conjunction with renewable resource management.

17 (b) It is the policy of the state to utilize the resources of the  
18 renewable resources funds to further the development of self-sustaining  
19 renewable resource industries to contribute to a stable state economy,  
20 employment opportunities, and life-style choices of its citizenry; and  
21 to further the most appropriate uses of the state's renewable resources  
22 for commercial, subsistence, and common use.

23 Sec. 37.11.120. FINDINGS. (a) The legislature finds that the  
24 state has vast quantities of unutilized, underutilized, or inefficiently  
25 utilized renewable resources and that great opportunities for expanding  
26 the wealth of the state and its residents rests in the expanded use of  
27 these resources. Many problems which confront the state today, includ-  
28 ing the lack of full employment opportunities and the lack of self-  
29 sustaining renewable resource industry sectors, could be mitigated by

1 development of private renewable resource industries.

2 (b) It is further found that several key factors have influenced  
3 the slow development of renewable resources. Contributing factors  
4 include the recent sharp reduction nationally and internationally in  
5 research and development financing, and lack of new venture capital, the  
6 lack of opportunity for Alaskan entrepreneurs to develop concepts or  
7 ideas or to achieve adequate financing, the general lack of knowledge  
8 within the financial community about conditions and factors extant to  
9 renewable resource development, the often severe lack of information  
10 about the state's renewable resources necessary to evaluate development  
11 opportunities, and resource management problems which have discouraged  
12 investment and the development of appropriate technologies to economi-  
13 cally utilize Alaska's renewable resources in a unique and often harsh  
14 environment.

15 (c) It is further found that the state policy of assisting the  
16 development of viable industries is best accomplished by providing  
17 assistance to private industry and to aid private industry, in whatever  
18 ways necessary and feasible, to most efficiently identify and develop  
19 new industries which will make the most appropriate commercial use of  
20 the state's renewable resources.

21 (d) It is further found to be a valid public purpose for public  
22 expenditures and investments to promote the prosperity and general  
23 welfare of citizens of the state and to expand economic and employment  
24 opportunities and tax revenue in the state by providing financial and  
25 technical assistance to renewable resource product, market and tech-  
26 nological research and development.

27 (e) It is further found that some of the state's resources will be  
28 most appropriately utilized by reserving their use to noncommercial  
29 activities for purposes of sustaining lifestyles such as subsistence

1 lifestyles and for environmental protection, both of which are histori-  
2 cally and culturally important to the people of the state, and for  
3 recreational or other noncommercial purposes.

4 Sec. 37.11.130. DIVISION OF RENEWABLE RESOURCES CREATED. There is  
5 created the division of renewable resources within the Department of  
6 Commerce and Economic Development to carry out the purposes of this  
7 chapter.

8 Sec. 37.11.140. PURPOSES. The purposes of the division are to  
9 facilitate the long-range rehabilitation, enhancement, and development  
10 of Alaska's renewable resources so as to further the creation of a self-  
11 sustaining Alaskan economy based on renewable resources.

12 (1) Within the purview of rehabilitation and enhancement the  
13 resources of the division shall be used to demonstrate technologies and  
14 innovations for rehabilitation and enhancement or maintenance of re-  
15 source systems in order to achieve and sustain their most appropriate  
16 uses for the benefit of present and future generations of Alaskans.

17 (2) Within the purview of development the division shall,  
18 through financial assistance and participation, (A) identify products,  
19 markets, and technologies for renewable resource industries in Alaska;  
20 (B) stimulate the research and development of the products, markets, and  
21 technologies; and (C) assist in the demonstration in the application and  
22 economic viability of the products, markets, and technologies.

23 (3) The division shall disseminate information on the acti-  
24 vities, products, and ventures of the division so as to assist all  
25 interested Alaskans in renewable resource use, research, and develop-  
26 ment.

27 Sec. 37.11.150. APPROPRIATION. The receipts of the renewable  
28 resources development fund (AS 37.11.020) shall be appropriated to the  
29 division for the purposes of this chapter.

1           Sec. 37.11.160. DIRECTOR, DIVISION OF RENEWABLE RESOURCES. In  
2 order to qualify for the position of director of the division a person  
3 must

4           (1) be graduated from an accredited college with a major in  
5 business administration, economics, or a related field; and

6           (2) have eight years of administrative or management experi-  
7 ence in resource planning or development, industrial engineering,  
8 management consultation, economic planning, commercial sales, promotion  
9 activity involving contact with major management and governmental  
10 officials, or related fields.

11          Sec. 37.11.170. COMPENSATION OF DIRECTOR. The director is in the  
12 classified service under AS 39.25 and shall receive an annual salary  
13 within range 27 in the salary schedule for state employees established  
14 in AS 39.27.011 or within one range below that received by the highest  
15 paid deputy commissioner in the Department of Commerce and Economic  
16 Development if that is higher than range 27.

17          Sec. 37.11.180. CONFLICTS OF INTEREST. No employee of the divi-  
18 sion may acquire an interest, direct or indirect, in a corporation,  
19 association, project, or other business enterprise to which the division  
20 is providing financial assistance in any form. If an employee owns or  
21 controls an interest, he shall immediately disclose the interest in  
22 writing to the director and refrain from participating in any manner in  
23 any division activity relating to that interest.

24          Sec. 37.11.190. POWERS AND DUTIES OF DIRECTOR. (a) The director

25           (1) may hire the staff necessary to carry out the purposes of  
26 this chapter;

27           (2) shall seek to optimize

28           (A) the number of residents of the state who benefit  
29 from a renewable resource through compatible or complementary use;

1 (B) the number of different interests which benefit from  
2 a renewable resource through compatible or complementary use;

3 (C) the proportion of the total income derivable from a  
4 renewable resource which accrues to the state and its citizens;

5 (D) the preservation of future options for renewable  
6 resource use;

7 (3) shall consider investment proposals only after an appli-  
8 cant for an investment has submitted a detailed proposal to the divi-  
9 sion's staff and the staff has prepared a written report recommending  
10 the investment and after an analysis of the short-term and long-term  
11 effects of the proposal and the extent of the Alaska loan programs fund  
12 financing;

13 (4) may approve applications for financial assistance only if  
14 they meet established criteria for financial assistance;

15 (5) shall establish and periodically review and revise cri-  
16 teria relating to the suitability of projects for financial assistance  
17 under this chapter;

18 (6) shall consider regional and local preferences or pri-  
19 orities in fund allocation decisions;

20 (7) shall monitor and provide for operational and performance  
21 evaluations of projects for which the division provides financial assis-  
22 tance;

23 (8) shall identify potential opportunities for rehabilita-  
24 tion, enhancement, and development of renewable resources;

25 (9) shall adopt regulations to implement this chapter in  
26 accordance with the Administrative Procedure Act (AS 44.62);

27 (10) shall advise the director of the division of Alaska loan  
28 programs of the Department of Commerce and Economic Development regard-  
29 ing the most appropriate financial mechanisms for projects involving

1 renewable resources.

2 (b) The division may not assume responsibility for managing any  
3 enterprise or project in which it has invested, but it may exercise  
4 voting rights for any purpose affecting the repayment of financial  
5 assistance provided under the Alaska loan programs fund or this chapter.

6 (c) Nothing in this section prevents the division from taking such  
7 action and exercising such rights as it may consider necessary for the  
8 protection of its interests in the event of actual or threatened default  
9 on any of its investments, actual or threatened insolvency of the enter-  
10 prise or project in which the investment has been made, or other situa-  
11 tions which, in the opinion of the director, threaten to jeopardize the  
12 investment.

13 Sec. 37.11.200. ELIGIBILITY. (a) No financial assistance may be  
14 made unless the division finds that

15 (1) the project, if successful, will further the purposes of  
16 this chapter;

17 (2) the project, if successful, is likely to be technologi-  
18 cally and economically feasible;

19 (3) the applicant for financial assistance has entered into  
20 an agreement that any new renewable resource activity shall be primarily  
21 established and remain in the state for a minimum period of time estab-  
22 lished by the division;

23 (4) the applicant for financial assistance meets the eligi-  
24 bility requirements for the Alaska loan programs fund;

25 (5) the corporate officers, directors, and equity holders  
26 have agreed to a reasonable salary and benefit scale which reflects  
27 current business standards.

28 (b) The division may not invest in a combination of equity pur-  
29 chases and interest incentives of more than five per cent of the annual

1 receipts of the renewable resources development fund or \$1,500,000,  
2 whichever is less, in a single project unless the legislature has ap-  
3 proved the investment by concurrent resolution.

4 (c) The renewable resources development fund may not be used for  
5 direct grants made to the private sector or for loans which contain a  
6 forgiveness of indebtedness provision.

7 (d) No loan may be guaranteed or participated in with the Alaska  
8 loan programs fund for a period in excess of 30 years unless the legis-  
9 lature has approved the loan by concurrent resolution.

10 Sec. 37.11.210. FINANCIAL ASSISTANCE. (a) In carrying out the  
11 purposes of this chapter the director may approve financial assistance  
12 only to projects for the rehabilitation, enhancement, and development of  
13 the state's renewable resources and which have been approved by the  
14 division of Alaska loan programs.

15 (b) The division's financial assistance to projects is limited to

16 (1) investment in not more than 50 per cent of the capital  
17 stock or other ownership interest in a project; no investment under this  
18 paragraph is permitted until the applicant has borrowed the maximum  
19 amount allowable from the Alaska loan programs fund (AS 45.96);

20 (2) interest incentives under which the division pays part or  
21 all of the interest on the loans made from the Alaska loan programs fund  
22 to the project when the project involves a high financial risk, has  
23 significant employment opportunity potential, or has potentially broad  
24 application to the public; interest incentives are only in addition to  
25 investments made under (1) of this subsection; payments of interest  
26 assumed by the division under this paragraph shall be made to the divi-  
27 sion of Alaska loan programs when the loans to the project are closed  
28 and shall consist of the total amount of interest due on the affected  
29 loans;